

CITY OF LONG BEACH  
CITY COUNCIL SUPPLEMENTAL AGENDA

TUESDAY, SEPTEMBER 11, 2007  
COUNCIL CHAMBER, 5:00 PM

Bonnie Lowenthal, Vice Mayor, 1st District  
Suja Lowenthal, 2nd District  
Gary DeLong, 3rd District  
Patrick O'Donnell, 4th District



Gerrie Schipske, 5th District  
Dee Andrews, 6th District  
Tonia Reyes Uranga, 7th District  
Rae Gabelich, 8th District  
Val Lerch, 9th District

Anthony W. Batts, City Manager  
Larry G. Herrera, City Clerk

Bob Foster, Mayor

Robert E. Shannon, City Attorney

**CITY COUNCIL SUPPLEMENTAL AGENDA  
FOR MEETING OF SEPTEMBER 11, 2007**

This Supplemental Agenda contains corrections and additions, which were posted more than 72 hours in advance of the above meeting date.

**REGULAR AGENDA**

**DEPARTMENTAL COMMUNICATIONS:**

16. 07-0993

**REQUEST:**

Councilwoman Rae Gabelich, Eighth District, requests designation of co-sponsor to be added to the Office or Department. Recommended action remains the same.

Recommendation to request City Attorney to prepare an amendment to Long Beach Municipal Code Section 2.84.010 relative to authority of city purchasing agent and others to contract, reducing the authorization amount to \$50,000; and

Request City Manager to provide a monthly report to the City Council of contracts approved that are \$50,000 or greater cumulative in a fiscal year, including in the report the department and program the contract serves.

**Office or Department:** COUNCILWOMAN RAE GABELICH, EIGHTH DISTRICT; COUNCILWOMAN GERRIE SCHIPSKE, FIFTH DISTRICT; COUNCILMAN DEE ANDREWS, SIXTH DISTRICT; COUNCILMEMBER TONIA REYES URANGA, SEVENTH DISTRICT

**Suggested Action:** Approve recommendation.



19. 07-1035

**REQUEST:**

The City Manager requests that the attachment for Item 19 be distributed for the City Council meeting of September 11, 2007.

Recommendation to adopt resolution authorizing the issuance of Tax and Revenue Anticipation Notes in an amount not to exceed \$58 million; and authorize City Manager to execute all necessary documents.  
(Citywide)

**Office or Department:** FINANCIAL MANAGEMENT

**Suggested Action:** Approve recommendation.

**SUPPLEMENTAL AGENDA (ADDITIONS)**

27. 07-1024

Recommendation that City Council concur in recommendation of Budget Oversight Committee to approve the Mayor's Budget recommendations regarding Civil Service Modernization, Optimization Studies, Multiple Academies and other items for FY 2008 with an amendment to allow only one Police Academy.

**Office or Department:** COUNCILMEMBER GARY DELONG, THIRD DISTRICT, CHAIR; BUDGET OVERSIGHT COMMITTEE

**Suggested Action:** Approve recommendation.

28. 07-1027

Recommendation that City Council concur in recommendation of Budget Oversight Committee that the updated list of Priorities be received and approved for FY 2008.

**Office or Department:** COUNCILMEMBER GARY DELONG, THIRD DISTRICT, CHAIR; BUDGET OVERSIGHT COMMITTEE

**Suggested Action:** Approve recommendation.



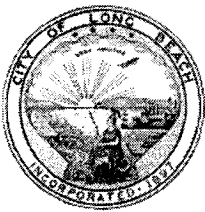
29. 07-1028

Recommendation that City Council concur in recommendation of Budget Oversight Committee that Financial Policy #3 be amended and Financial Policy #11 be added for FY 2008.

**Office or Department:** COUNCILMEMBER GARY DELONG, THIRD DISTRICT, CHAIR; BUDGET OVERSIGHT COMMITTEE

**Suggested Action:** Approve recommendation.

adb



**R-16**

**Date:** September 11, 2007

**To:** Honorable Mayor and Members of the City Council

**From:** Councilmember Rae Gabelich, Eighth District *RG*  
Councilmember Gerrie Schipske, Fifth District *GS*  
Councilmember Dee Andrews, Sixth District *DA*  
Councilmember Tonia Reyes Uranga, Seventh District *TRU*

**Subject:** AGENDA ITEM: Approval of City Contracts

The City has made great strides in restoring fiscal responsibility from a time of structural deficits. However, there continue to be daunting budget challenges, and as the Mayor has stated in his Budget Recommendations, "our City now lives paycheck-to-paycheck."

Therefore, the Council has an even greater responsibility to review and evaluate how the City is spending our limited resources.

Currently, the City Council is required to approve any contract of \$100,000 or more. Contracts of less than that amount are approved by the City Manager for most City departments, without Council review.

Given the need to exercise greater fiscal discipline, we believe the Council should review and approve all contracts of \$50,000 or more. In addition, the Council should be updated regularly on new projects that have an impact on the City's budget.

**Recommended Action:**

**Request the City Attorney to prepare an amendment to LBMC Code Section 2.84.010 relative to authority of city purchasing agent and others to contract, reducing the authorization amount to \$50,000; and**

**Request the City Manager to provide a monthly report to the City Council of contracts approved that are \$50,000 or greater cumulative in a fiscal year, including in the report the department and program the contract serves.**



## RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE  
CITY OF LONG BEACH PROVIDING FOR THE ISSUANCE  
OF 2007-2008 TAX AND REVENUE ANTICIPATION NOTES  
OF THE CITY OF LONG BEACH, CALIFORNIA

WHEREAS, in accordance with Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850 thereof) of the Government Code of the State of California (the "Government Code"), entitled "Temporary Borrowing," the City Council (the "City Council") of the City of Long Beach, California (the "City"), is authorized to issue tax and revenue anticipation notes in order to satisfy the cash flow needs of the City; and

WHEREAS, the City Council hereby finds and determines that the City needs to borrow funds in an amount not to exceed \$58,000,000 in its 2007 2008 Fiscal Year (the "Fiscal Year") for authorized purposes of the City, and the City Council desires to authorize for that purpose the issuance of, and offer for sale, tax and revenue anticipation notes of the City in an aggregate principal amount of not to exceed \$58,000,000 (the "Notes"), pursuant to the cited provisions of the Government Code to be applied for any purposes for which the City is authorized to expend moneys; and

WHEREAS, the Notes will not be outstanding for more than 12 months from the date on which the Notes are issued, and the maximum anticipated cumulative cash flow deficit of the City to be financed by the Notes in anticipation of taxes and other revenues and expected to occur within six months of the date of issuance of the Notes, determined without excluding any working capital reserve from available amounts, as defined in Treasury Regulation Section 1.148 6(d)(3); and

WHEREAS, the City desires to designate the City Treasurer and his designees (each, the Treasurer") to serve as fiscal agent (the "Fiscal Agent") and as agent for the City in matters relating to the Pledged Revenues, defined below, and also

OFFICE OF THE CITY ATTORNEY  
ROBERT E. SHANNON, City Attorney  
333 West Ocean Boulevard, 11th Floor  
Long Beach, CA 90802-4664



1 designate The Bank of New York Trust Company, N.A. to serve as paying agent for the  
2 Notes; and

3 WHEREAS, the City desires to appoint Kutak Rock LLP to act as note  
4 counsel ("Note Counsel") in connection with the issuance and sale of the Notes and  
5 appoint Public Financial Management, Inc. to act as financial advisor (the "Financial  
6 Advisor") in connection with the issuance and sale of the Notes; and

7 WHEREAS, the City desires to obtain competitive bids for the sale of the  
8 Notes, and in connection therewith, Note Counsel and the Financial Advisor have  
9 prepared and presented to this City Council a form of Notice of Intention to Sell and a  
10 form of Notice Inviting Bids, respectively, for the Notes;

11 NOW, THEREFORE, the City Council of the City of Long Beach hereby  
12 resolves as follows:

13 Section 1. Authorization of Issuance of Notes; Terms Thereof. Subject  
14 to the conditions set forth in this Resolution, the City Council hereby determines to and  
15 shall issue not to exceed \$58,000,000 aggregate principal amount of the City's 2007-  
16 2008 Tax and Revenue Anticipation Notes; such Notes shall be in the denominations of  
17 \$5,000 or any integral multiple thereof; be dated the date of delivery thereof; shall mature  
18 (without option of prior redemption) on a date not more than 12 months from the date of  
19 delivery thereof; and shall bear interest, payable at maturity and computed on a 30 day  
20 month/360 day year basis, at the rate determined at the time of competitive sale of the  
21 Notes, but in no event shall the interest rate on the Notes exceed 6% per annum. The  
22 exact amount of funds to be borrowed pursuant to the authority of this Resolution shall be  
23 determined by the Treasurer or his designee prior to the sale of the Notes after  
24 consultation with Note Counsel regarding appropriate issue size such that interest on the  
25 Notes will not be includible in gross income for federal tax purposes and shall not exceed  
26 \$58,000,000. Both the principal of and the interest on the Notes shall be payable, but  
27 only upon surrender thereof, in lawful money of the United States of America upon  
28 presentation and surrender thereof at the principal office of the Paying Agent, defined



1 below, for the Notes.

2           Section 2.    Approval of Notice Inviting Bids. The form of Notice Inviting  
3 Bids attached hereto as Exhibit A is hereby approved in the form attached hereto with  
4 such changes as shall be acceptable to the Treasurer and as shall be approved as to  
5 form by the City Attorney, such approval to be conclusively evidenced by the publication  
6 of the Notice Inviting Bids as described below. The Treasurer and the Financial Advisor  
7 are hereby authorized and directed to cause the Notice Inviting Bids to be distributed to  
8 persons who may be interested in purchasing the Notes.

9           Section 3.    Approval of Notice of Intention To Sell. Attached hereto as  
10 Exhibit B is the form of Notice of Intention to Sell giving notice of the City's intention to  
11 sell the Notes by competitive sale. Pursuant to Section 53692 of the California  
12 Government Code, such Notice of Intention to Sell must be published once in The Bond  
13 Buyer or other financial publication meeting the requirements of said Section 53692 at  
14 least 15 days prior to the date fixed for receipt of sealed proposals for the Notes. The  
15 Treasurer and the Financial Advisors previously published the Notice of Intention to Sell.  
16 We hereby ratify and approve the actions of publishing the Notice of Intention to Sell.

17           Section 4.    Authorization To Receive and Accept Bids. The period ending  
18 at 9:30 a.m. (Pacific Daylight Time) on the date of September 18, 2007, is hereby  
19 approved as the time and date that proposals will be received with respect to the Notes  
20 upon the terms and in the manner set forth in the Notice Inviting Bids approved above;  
21 provided that the Treasurer is hereby authorized to select such other time(s) and date(s)  
22 to receive such proposals as such person shall, in his or her discretion, deem necessary  
23 or desirable. The Treasurer, on behalf of the City, is hereby authorized to read such bids  
24 in the manner described in the Notice Inviting Bids. The Treasurer is hereby further  
25 authorized to award the Notes to the responsible bidder submitting the best bid in  
26 accordance with the terms and conditions of the Notice Inviting Bids.

27           Section 5.    Form of Notes. The Notes may be issued in bearer form  
28 without coupons or, if the Notes are delivered in book entry only form pursuant to Section



9 hereof, in registered form, and shall be substantially in the form and substance set forth in the example attached hereto as Exhibit C, the blanks in said form to be filled in with the appropriate terms and figures.

Section 6. Deposit of the Note Proceeds. The moneys representing the proceeds of sale of the Notes shall be deposited pursuant to the direction of the Treasurer into the City's general fund. Following such deposit, said proceeds shall be withdrawn and expended by the City for any lawful purpose for which the City is authorized to expend moneys, including, but not limited to, current expenses, capital expenditures and the discharge of any obligation or indebtedness of the City.

Section 7. Payment of Notes.

A. Source of Payment. The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the City during the Fiscal Year and which are available therefor. Pursuant to Section 53857 of the Government Code, the Notes shall be the general obligations of the City, and to the extent the Notes are not paid from the Pledged Revenues (as defined in paragraph (b) below), the Notes shall be paid with interest thereon from any other moneys of the City lawfully available therefor, as provided in this Resolution and otherwise by law.

B. Pledged Revenues. As security for the payment of the principal of and interest on the Notes, by this Resolution, the City hereby pledges an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending April 30, 2008; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending May 31, 2008; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending June 30, 2008; an amount equal to 15% of the principal



1 amount of the Notes from the first unrestricted revenues received by the  
2 City during the month ending July 31, 2008; an amount equal to 15% of the  
3 principal amount of the notes from the first unrestricted revenues received  
4 by the City during the month ending August 31, 2008; and an amount equal  
5 to 25% of the principal amount of the Notes, plus an amount sufficient to  
6 pay interest on the Notes at maturity, from the first unrestricted revenues  
7 received by the City in the month ending September 30, 2008 (collectively,  
8 the "Pledged Revenues"). The term "unrestricted revenues" shall mean  
9 taxes, income, revenue, cash receipts and other moneys of the City, as  
10 provided in Section 53856 of the Government Code, which are intended as  
11 receipts for the general fund of the City and which are generally available  
12 for the payment of current expenses and other obligations of the City.

13 There is hereby established and created an account within the General  
14 Fund that is a special reserve general ledger subaccount and designated as  
15 the "Repayment Account" and more particularly defined in paragraph (c)  
16 below to be maintained by the Treasurer in the name and on behalf of the  
17 City, into which the Treasurer shall promptly cause to be deposited all  
18 Pledged Revenues of the City when and as received, without further  
19 permission of or instruction by the City Council. The Treasurer may elect  
20 for such Pledged Revenues in the Repayment Account to be held in the  
21 City Treasury or by the Paying Agent. From the dates of receipt by the  
22 Treasurer or the Paying Agent as applicable, of any Pledged Revenues, the  
23 City shall have no right, title or interest therein, and the Treasurer shall have  
24 the sole right of withdrawal from the Repayment Account hereinafter  
25 established for the purposes described in this Resolution.

26 The principal of the Notes and the interest thereon shall be a first lien  
27 and charge against and shall be payable from the first moneys received by  
28 the City constituting the Pledged Revenues, as provided by law.

1           If there are insufficient unrestricted revenues received by the City to  
2           permit the deposit into the Repayment Account of the City of the full amount  
3           of Pledged Revenues required hereunder to be deposited from unrestricted  
4           revenues in a given month, then the amount of any deficiency shall be  
5           satisfied and made up from the first additional moneys received by the City  
6           and lawfully available for the repayment of the Notes and the interest  
7           thereon.

8           C.     Deposit of Pledged Revenues in Repayment Account.  
9           Pledged Revenues shall be held by the City in an account within the  
10          General Fund that is a special reserve general ledger subaccount and  
11          designated as the "City of Long Beach, California, 2007 2008 Tax and  
12          Revenue Anticipation Notes Repayment Account" (the "Repayment  
13          Account"), and applied as directed in this Resolution. Moneys placed in the  
14          Repayment Account shall be held for the sole benefit of the holders of the  
15          Notes, and until the Notes and all interest thereon are paid in full or until  
16          provision has been made for the payment of the Notes at maturity with  
17          interest to such date, the moneys in the Repayment Account shall be  
18          applied only for the purposes for which the Repayment Account was  
19          created.

20          D.     Disbursement and Investment of Moneys in Repayment  
21          Account. From the date this Resolution takes effect, all Pledged Revenues  
22          shall, when received, be deposited into the Repayment Account. After such  
23          date as the amount of the Pledged Revenues deposited in the Repayment  
24          Account shall be sufficient to pay in full the principal of and interest on the  
25          Notes, when due, any moneys in excess of such amount remaining in or  
26          accruing to the Repayment Account shall be transferred by the Treasurer to  
27          the general fund of the City. On the maturity date of the Notes, moneys on  
28          deposit in the Repayment Account shall be used, to the extent necessary,



1 to pay the principal of and interest on the Notes and shall be remitted by the  
2 Fiscal Agent to the Paying Agent on such date.

3 Moneys in the Repayment Account, to the greatest extent possible,  
4 and Note proceeds deposited in the general fund held by the Fiscal Agent,  
5 shall be invested by or at the direction of the Treasurer in investments  
6 pursuant to Section 53601 of the Government Code and/or in the City's  
7 investment portfolio and in accordance with the investment policies of the  
8 City.

9 Section 8. Execution of Notes. The Treasurer is hereby directed to  
10 cause to be lithographed, engraved or otherwise printed or produced a sufficient number  
11 of blank Notes of suitable quality, showing on their face the interest rate applicable  
12 thereto. The Treasurer, is hereby authorized to sign the Notes manually or by facsimile,  
13 and the City Manager, or any duly designated deputy thereof (each, the "City Manager"),  
14 is hereby authorized to sign the Notes manually or by facsimile signature, and the City  
15 Clerk, or any duly designated deputy thereof (each, the "City Clerk"), is hereby authorized  
16 to countersign the Notes manually or by use of his or her facsimile signature, with at least  
17 one of said signatures being manual, and the City Clerk is hereby authorized to affix the  
18 seal of the City thereto by facsimile impression thereof, and said officers are hereby  
19 authorized to cause the blank spaces on the form of Notes to be filled in prior to initial  
20 delivery as may be appropriate. The Notes shall be manually authenticated by the  
21 Paying Agent (as defined in Section 13 below).

22 Section 9. Delivery of Notes in Book Entry Only Form. As an alternative  
23 to printing, executing and delivering certificated Notes, the City may elect to deliver the  
24 Notes in book entry only form by appointing the Depository Trust Company ("DTC"), 19th  
25 Floor, 55 Water Street, New York, New York 10041, to act as securities depository for the  
26 Notes. In that event, a single Note substantially in the form of Exhibit C hereto,  
27 representing all of the outstanding Notes, will be executed and, on the date prior to  
28 closing, delivered to DTC. In that event, upon closing, the City shall notify DTC at which

1 time DTC will credit the account of the successful bidder, and process the book entry  
2 deliveries to the accounts of the subsequent purchasers of interests in the Notes. The  
3 single Note certificate will be lodged with DTC until maturity of the Notes. On the date of  
4 maturity of the Notes, the Treasurer shall remit to the Paying Agent or DTC, as  
5 appropriate, sufficient funds to pay all outstanding principal and interest due with respect  
6 to the Notes.

7           Section 10. Tax Covenants. The City covenants that it will make no use  
8 of the proceeds of the Notes or any other amounts that would cause the Notes to be  
9 "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended  
10 (the "Tax Code"); and, to that end, the City agrees to comply with all requirements of said  
11 Section 148 and the Treasury Regulations promulgated thereunder, including restrictions  
12 on the use and investment of proceeds of the Notes and certain other amounts and the  
13 rebate of a portion of the investment earnings on proceeds of the Notes and certain other  
14 amounts, if required, to the United States. The City further covenants to do and perform  
15 all acts and things within its power and authority necessary to comply with each  
16 applicable requirement of Section 103 and Sections 141 through 150, inclusive, of the  
17 Tax Code. In furtherance of the covenants contained in this Section 10, the City agrees  
18 to comply with the tax compliance certificate of the City to be delivered concurrently with  
19 the issuance and delivery of the Notes. The City covenants that it will take no action that  
20 would cause the interest on the Notes to be included in gross income for federal income  
21 tax purposes, nor will it refrain from taking action required to maintain the exclusion of  
22 interest on the Notes from gross income for federal income tax purposes.

23           Section 11. Approval of Preliminary Official Statement and Official  
24 Statement. The form of the Preliminary Official Statement, attached hereto as Exhibit D,  
25 presented to and considered at this meeting of the City Council is hereby approved, with  
26 such changes therein as may be approved by the City Manager, with the advice of  
27 counsel to the City. The Treasurer is hereby authorized to certify that the Preliminary  
28 Official Statement is deemed final for purposes of Rule 15c2 12 of the Securities and



1 Exchange Commission (the "Rule"). The Treasurer and the Financial Advisor are each  
2 hereby authorized to cause to be prepared and distributed in both electronic and printed  
3 form the Preliminary Official Statement and a final Official Statement for use in the  
4 marketing and sale of the Notes.

5 Section 12. Delivery of Notes. The City Manager is hereby authorized  
6 and directed to deliver the Notes to the successful bidder upon payment therefor in  
7 accordance with the Notice Inviting Bids. All actions heretofore taken with respect to the  
8 sale and issuance of the Notes are hereby approved, confirmed and ratified, and the City  
9 Manager is hereby authorized, confirmed and directed, for and in the name and on behalf  
10 of the City, to do any and all things and take any and all actions and execute and deliver  
11 any and all certificates, agreements and other documents, which may be deemed  
12 necessary or advisable in order to consummate the lawful issuance and delivery of the  
13 Notes in accordance with this Resolution.

14 Section 13. Appointment of Fiscal Agent and Paying Agent for the Notes.  
15 The Treasurer shall serve as the Fiscal Agent for the Notes. The City hereby appoints  
16 The Bank of New York Trust Company, N.A. as authenticating and paying agent (the  
17 "Paying Agent") for the Notes. The form of Paying Agent/Registrar Agreement attached  
18 hereto as Exhibit E is hereby approved in the form attached hereto with such changes as  
19 shall be acceptable to the Treasurer and as shall be approved as to form by the City  
20 Attorney. The Treasurer is authorized to execute the final form of the Paying  
21 Agent/Registrar Agreement.

22 Section 14. Appointment of Note Counsel and Financial Advisor. Kutak  
23 Rock LLP is hereby appointed as Note Counsel for the issuance of the Notes on the  
24 terms and conditions approved by the City Treasurer and the City Attorney, payable from  
25 the proceeds of the Notes. Public Financial Management, Inc. is hereby appointed  
26 Financial Advisor for the issuance of the Notes on the terms and conditions approved by  
27 the City Treasurer and the City Attorney, payable from the proceeds of the Notes.

28 Section 15. Approval of Continuing Disclosure Agreement. The City

1 Council does hereby covenant and agree, for the benefit of the holders of the Notes, that  
2 the City will comply with the provisions of the Rule relating to secondary market and  
3 continuing disclosure. Failure of the City to comply with such provisions shall not be  
4 considered an event of default with respect to the Notes; however, any holder of the  
5 Notes may take such action as may be necessary and appropriate, including seeking  
6 mandate or specific performance by court order, to cause the City to comply with its  
7 obligations under this provision. The City Council hereby authorizes the City Manager to  
8 execute and deliver by and on behalf of the City, for the benefit of the holders of the  
9 Notes, a Continuing Disclosure Certificate (as it may be amended from time to time in  
10 accordance with the terms thereof, the "Continuing Disclosure Certificate") in form and  
11 substance substantially similar to that attached as Exhibit F, said Continuing Disclosure  
12 Certificate to be dated the date of issuance of the Notes.

13 Section 16. Authorization. The City Council shall at all times do and  
14 perform all other acts and things necessary or desirable and within its power to assure  
15 compliance with the above referenced provisions of the Rule.

16 Section 17. This resolution shall take effect immediately upon its adoption  
17 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

18  
19 I hereby certify that the foregoing resolution was adopted by the City  
20 Council of the City of Long Beach at its meeting of \_\_\_\_\_, 2007 by the

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1 following vote:

2 Ayes: Councilmembers:

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6 Noes: Councilmembers:

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8 Absent: Councilmembers:

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City Clerk

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HAM:fl  
9/6/07  
#07-04378

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## NOTICE INVITING BIDS

\$[\_\_\_\_\_] \*  
CITY OF LONG BEACH  
(CALIFORNIA)  
2007-2008 Tax and Revenue Anticipation Notes

**NOTICE IS HEREBY GIVEN** that proposals will be received by a representative of the City of Long Beach (the "City") as follows:

- Time:** 9:30 AM, Pacific Daylight Time, on or after September 18, 2007,\* as established by the City and communicated through The Bond Buyer Wire not less than 24 hours prior to the time bids are to be received.
- Manner:** Electronic Bids, via Grant Street Group's PFMAuction ("PFMAuction"). No other provider of electronic bidding services and no other means of delivery of bids (e.g., telephone, fax, telegraph or personal delivery) will be accepted. See "TERMS OF SALE AND ELECTRONIC BIDDING PROCEDURES - ELECTRONIC BIDDING PROCESS" herein.

for the purpose of purchasing \$[\_\_\_\_\_] \* principal amount of 2007-2008 Tax and Revenue Anticipation Notes (the "Notes") of the City pursuant to a Resolution approved by the City Council on September 11, 2007 (the "Resolution"). The Notes will be issued in full conformity with the Constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"), and under such statute the Notes are general obligations of the City payable solely from taxes, income, revenue, cash receipts, and other moneys of the City attributable to the fiscal year commencing on October 1, 2007 ("Fiscal Year 2007-2008") and legally available therefor.

**ISSUE:** The Notes shall be sold in an aggregate principal amount of \$[\_\_\_\_\_] \* to be designated "City of Long Beach, California, 2007-2008 Tax and Revenue Anticipation Notes." The principal amount of the Notes issued and delivered may be reduced as provided below under "PURCHASE PRICE."

**DATE, MATURITY AND INTEREST PAYMENT DATES:** The Notes will be dated their date of delivery, which is expected to be on or about October 1, 2007,\* and will mature on September 30, 2008.\* Interest on the Notes will be payable on September 30, 2008.\*

**NO REDEMPTION:** The Notes are not subject to call or redemption prior to maturity.

**SECURITY:** The Notes, in accordance with California law, are a general obligation of the City of Long Beach, California. The Notes and the interest thereon are payable from taxes, income, revenues, cash receipts and other moneys of the City attributable to Fiscal Year 2007-2008, are legally available for payment thereof, and are secured by a pledge of certain of said moneys (the "Pledged Revenues"). As security for the payment of the principal of the Notes and the interest thereon, the City has pledged pursuant to the Resolution, (a) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending April 30, 2008; (b) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending May 31, 2008; (c) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending June 30, 2008; (d) an amount

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\* Preliminary, subject to change.



equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending July 31, 2008; (e) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending August 31, 2008; and (f) an amount equal to 25% of the principal amount of the Notes, plus an amount sufficient to pay interest on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending September 30, 2008.

**REPAYMENT ACCOUNT:** The Pledged Revenues shall be deposited by the City and held by the City Treasurer, acting as Fiscal Agent in trust in the Repayment Account and applied as directed under the Resolution. Any money deposited by the Fiscal Agent in the Repayment Account shall be for the benefit of the holders of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Account shall be applied only for purposes for which the Repayment Account was created.

Pursuant to the Resolution, all Pledged Revenues shall, when received, be deposited in the Repayment Account, maintained by the City Treasurer, as Fiscal Agent and held in the City of Long Beach investment portfolio. Amounts deposited by the City in the Repayment Account shall be applied solely for the purpose of paying the principal of and interest on the Notes, although such amounts shall be invested by the City in legal investments as permitted by Section 53601 of the Government Code of the State and/or in the City's investment portfolio and in accordance with the investment policies of the City.

**DEPOSIT OF NOTE PROCEEDS:** The Resolution provides that the Note proceeds shall be deposited in the City's general fund.

**PAYMENT:** Both principal and interest are payable in lawful money of the United States of America at the office of the Fiscal Agent, to The Depository Trust Company; New York, New York ("DTC"), which will in turn remit such principal and interest to the beneficial owners of the Notes through DTC's Participants, as described in the Preliminary Official Statement.

**FULL BOOK ENTRY:** The Notes, when delivered to the purchaser thereof, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Notes. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Notes purchased.

## **TERMS OF SALE AND ELECTRONIC BIDDING PROCEDURES**

**FORM OF BID:** Bids must be for all of the Notes, and must be for not less than the par value thereof. **Each bid must be submitted through PFMAuction and must be received not later than 9:30 a.m., Pacific Daylight Time, on said date of sale.** Each bid must be in accordance with the terms and conditions set forth herein. Bids which do not conform to the terms of this paragraph will be rejected.

**ELECTRONIC BIDDING PROCESS:** To bid via the PFMAuction website, bidders must have both (1) completed the registration form on the PFMAuction website and (2) requested and received admission to the City's auction, as described under "Registration and Admission to Bid" below. The use of PFMAuction shall be at the bidder's risk and expense, and the City shall have no liability with respect thereto. By submitting a bid for the Notes, a prospective bidder represents and warrants to the City that such bidder's bid for the purchase of the Notes (if a bid is submitted in connection with the sale) is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Notes. By registering to bid for the Notes, a prospective bidder is not obligated to submit a bid in connection with the sale.

If any provisions of this Notice Inviting Bids shall conflict with information provided by PFMAuction, an approved provider of electronic bidding services, this Notice Inviting Bids shall control, except for any Amendments to this Notice Inviting Bids posted on the PFMAuction website, in which case such Amendments shall control. Further information about PFMAuction, including qualification, registration, rules and any fee charged, may be obtained from Grant Street Group by calling Grant Street Group's auction support at (412) 391-5555 (Extension 370).

Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access PFMAuction for purposes of submitting its bid in a timely manner and in compliance with the requirements of the Notice Inviting Bids. Neither the City nor PFMAuction shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the City nor PFMAuction shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by PFMAuction. The City is not bound by any advice and determination of PFMAuction to the effect that any particular bid complies with the terms of this Notice Inviting Bids and in particular the bid specifications hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via PFMAuction are the sole responsibility of the bidders; the City is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Notes, it should telephone Grant Street Group and notify Gus Bracamontes of Public Financial Management at (213) 489-4075. After receipt of bids is closed, the City, through PFMAuction, will indicate the apparent Purchaser. Such message is a courtesy only for viewers, and does not constitute the award of the Notes. Each bid will remain subject to review by the City to determine its true interest cost rate and compliance with the terms of this Notice Inviting Bids and to award the Notes.

**REGISTRATION AND ADMISSION TO BID:** To bid via PFMAuction, bidders must first visit the PFMAuction website where, if they have never registered with PFMAuction, they can register and then request admission to bid on the Notes. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid. Bidders who have previously registered with PFMAuction or any other website administered by PFMAuction's Auction Administrator, may call the Auction Administrator at (412) 391-7686 for their ID Number or password.

**ALL-OR-NONE BIDS ONLY:** Bidders may only bid to purchase all of the Notes. No bid will be considered which does not offer to purchase all of the Notes. Each bid must specify only one rate of interest and a dollar purchase price for the entire issue of Notes.

**BIDDING DETAILS:** Bidders should be aware of the following bidding details associated with the sale for each series of Notes:

- (1) **All bids must be submitted on the PFMAuction website at [www.PFMAuction.com](http://www.PFMAuction.com). No telephone, telefax, telegraph or personal delivery bids will be accepted.**
- (2) Bidders are permitted to submit bids for the Notes in only an all-or-none auction during the bidding time period.
- (3) Bidders may change and submit bids as many times as they like during the bidding time period; provided, however, each and any bid submitted subsequent to a bidder's initial bid

must result in a lower true interest cost (“TIC”) with respect to a bid when compared to the immediately preceding bid of such bidder. See “Bid Procedure and Basis of Award” below.

- (4) The final bid submitted by a bidder before the end of the bidding time period will be compared to all other final bids submitted by others to determine the winning bidder or bidders.
- (5) During the bidding, no bidder will see any other bidder’s bid, but each bidder will see whether their bid is a leading bid relative to other bids.
- (6) On the Auction Page, bidders will be able to see whether any bid has been submitted.

**RULES OF PFMAUCTION:** The “Rules” of PFMAuction can be viewed on the PFMAuction website and are incorporated herein by reference. Bidders must comply with the Rules of PFMAuction in addition to the requirements of this Notice Inviting Bids. In the event of a conflict between the Rules of PFMAuction and this Notice Inviting Bids, this Notice Inviting Bids shall control.

**PURCHASE PRICE:** The Notes will be awarded as a unit to the bidder whose legally acceptable bid, including any premium, produces the lowest TIC (on an annual 30/360 basis). The TIC of each proposal will be determined on the basis of the present value of the principal and interest to be paid with respect to the Notes based on the bid amount, principal plus premium (if any).

In the event that the winning bid contains a premium in excess of \$[ ] the principal amount of the Notes issued and delivered shall be reduced such that the principal amount of the Notes issued, together with premium thereon, does not exceed \$[ ].\*

**INTEREST RATE:** Interest with respect to the Notes will be calculated on a 30/360 day basis and is payable on September 30, 2008.\* In connection with the bids submitted for the Notes, (i) each bidder must bid an interest rate in a multiple of one one-thousandth of one percent (1/1000 of 1%) per annum which rate must be no greater than 6% per annum; (ii) interest with respect to a Note shall be computed annually from its date to the stated maturity date, September 30, 2008,\* at the interest rate specified in the bid; (iii) the same interest rate shall apply to all Notes; and (iv) any premium must be paid as part of the purchase price, and no bid will be accepted which contemplates the waiver of any interest or other concession by the bidder as a substitute for payment in full for the purchase price. All bids that do not conform to the terms of this paragraph will be rejected.

**GOOD FAITH DEPOSIT:** Each bid must be accompanied by a financial surety bond of 1% of the par amount, as adjusted, payable to the order of the “City of Long Beach,” to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid (the “Good Faith Deposit”). The financial surety bond must be from an insurance company licensed to issue such a bond in the State of California, whose claims-paying ability is rated in the highest rating category (without regard to subcategories) by Moody’s Investors Service and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. Such financial surety bond must be submitted *prior* to the time bids are to be received to Public Financial Management, Inc., 633 West Fifth Street, Suite 6700, Los Angeles, California, 90071, Attn: Gus Bracamontes, phone: (213) 489-4075, fax: (213) 489-4085. The financial surety bond must identify each bidder whose good faith deposit is guaranteed by such financial surety bond, and the City assumes no responsibility for any failure of a financial surety bond to list any bidder or to be received on a timely basis as described in the preceding sentence. Once the Notes are awarded to a bidder utilizing a financial surety bond, then that bidder shall deliver its good faith deposit to the

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\* Preliminary, subject to change.



Treasurer of the City in the form of a cashier's check (meeting the requirements set forth above) or by wire transfer no later than 12:00 noon (Pacific Daylight Time) on the business day immediately following the award. Wiring instructions for the Good Faith Deposit are as follows:

Union Bank of California  
Los Angeles, California  
Account #: 27400-16582  
Account: City of Long Beach Cash Concentration Account  
ABA#: 122-000-496

The City does not endorse the use of a financial surety bond or of any provider of such a surety bond. The City will accept a financial surety bond in lieu of a cashier's check under the terms described herein solely as an accommodation to bidders, and it is understood and agreed by each bidder using such a bond that the bidder must make its own arrangements with the provider of the bond.

No interest will be paid upon the deposit made by any bidder. Good Faith Deposit checks of all bidders (except the successful bidder or bidders, herein the "Purchaser" or "Purchasers") will be returned by the City promptly following the award of the Notes to the Purchaser. The Good Faith Deposit will be invested for the exclusive benefit of the City. The principal amount of each such deposit shall be applied to the purchase price of the Notes at the time of delivery thereof.

If any Purchaser shall fail to pay the purchase price of the Notes awarded to it in full upon tender of the Notes, such Purchaser shall have no right in or to the Notes or to the recovery of its deposit, or to any allowance or credit by reason of such deposit, unless it shall appear that the Notes would not be validly issued if delivered to such Purchaser in the form and manner proposed. In the event of nonpayment by any Purchaser, the amount of such Purchaser's Good Faith Deposit shall be retained by the City as and for liquidated damages for such failure by such Purchaser, and such retention shall constitute a full release and discharge of all claims by the City against such Purchaser arising from such failure. The City's actual damages in such an event may be greater or may be less than the amount of such Purchaser's Good Faith Deposit. Each bidder waives any right to claim that the City's actual damages are less than such amount.

#### **INFORMATION REQUIRED FROM PURCHASER; REOFFERING PRICE**

By making a bid for the Notes, the Purchaser agrees (a) to provide to the City, in writing, within 24 hours of the acceptance of the bid, pricing and other related information necessary for completion of the final Official Statement, (b) to disseminate to all members of the underwriting syndicate copies of the Official Statement, including any supplements prepared by the City, (c) to promptly file a copy of the final Official Statement, including any supplements prepared by the City, with each Nationally Recognized Municipal Securities Information Repository and (d) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Notes to ultimate purchasers.

Before delivery of the Notes, the successful bidder shall furnish to the City a written statement in form and substance acceptable to Note Counsel (a) stating the initial reoffering price of each maturity of the Notes to the general public; (b) certifying that a bona fide offering of the Notes has been made to the public (excluding bond houses, brokers, and other intermediaries); (c) stating the prices at which at least 10% of the Notes were sold to the public (excluding bond houses, brokers, and other intermediaries) prior to the sale of the Notes at other prices; and (d) certifying that the price at which the Notes was sold did not exceed the fair market value of such maturity as of the sale date.

**AWARD OF SALE:** The City will award the Notes or reject all bids not later than 24 hours after the expiration of the time herein prescribed for the receipt of proposals unless such time of award is waived by the Purchaser. Notice of the award will be given promptly to the successful bidder after the award is made.

**RIGHT OF REJECTION AND WAIVER:** The City reserves the right, in its discretion, to reject any and all bids to waive any irregularity or informality in any bid and to select the winning bidder among bidders submitting identical bids.

**RIGHT TO POSTPONE AWARD:** In the event that no bid is awarded, the City shall receive bids at the time and location to be communicated through The Bond Buyer Wire not less than 24 hours prior to the time bids are to be received until such time as a bid is awarded or the City determines to withdraw sale of the Notes.

**RIGHT OF CANCELLATION:** The Purchaser shall have the right at its option to cancel the sale and purchase of the Notes if the City shall fail to execute the Notes and tender the same for delivery within 30 days from the award of sale thereof.

**CUSIP NUMBERS:** CUSIP numbers will be applied for and will be printed on the Notes and the cost will be the Purchaser's responsibility. Any delay, error or omission with respect thereto will not constitute cause for the Purchaser to refuse to accept delivery of and pay for the Notes.

**PAYMENT:** Payment of the purchase price must be made in funds immediately available to the Treasurer of the City of Long Beach, California on the date of delivery of the Notes, which is expected to be on or about October 1, 2007.\*

**CHANGE IN TAX EXEMPT STATUS:** At any time before the Notes are tendered for delivery, the Purchaser may disaffirm and withdraw its proposal if the interest received by holders of notes of the same type and character as the Notes shall be determined to be includable in gross income under present federal income tax laws, either by a ruling of the Internal Revenue Service or by a decision of any federal court, or shall be determined to be includable in gross income by the terms of any federal income tax law enacted subsequent to the date of this notice.

**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION FEE:** The Purchaser will be required pursuant to California law to pay any fees due to the California Debt and Investment Advisory Commission ("CDIAC"). CDIAC will invoice the Purchaser after the closing of the Notes.

**OFFICIAL STATEMENT:** The Preliminary Official Statement, together with any supplements thereto, is in a form "deemed final" by the City for purposes of SEC Rule 15c2-12, but is subject to revision, amendment and completion in a final Official Statement. The City will provide each Purchaser such number of printed copies of the Official Statement for this issue as such Purchaser may reasonably request. Up to 50 copies of the Official Statement will be furnished without cost within seven days of the sale, and any additional copies will be furnished at the expense of the Purchaser.

**CLOSING PAPERS; LEGAL OPINION:** The obligation of the Purchaser to purchase the Notes will be conditioned upon the City furnishing to each Purchaser, without charge, concurrently with payment for and delivery of the Notes, the following closing papers, each dated the date of such delivery:

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\* Preliminary, subject to change.

- (a) The final approving opinion of Kutak Rock LLP, Note Counsel, in the form attached as Appendix B to the Official Statement;
- (b) A certificate of the City that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be "arbitrage notes";
- (c) An opinion of the City Attorney of the City of Long Beach that there is no litigation threatened or pending affecting the validity of the Notes;
- (d) A certificate of an appropriate City official, acting on behalf of the City solely in his/her official capacity, and not in his/her personal capacity, which at the time of the sale of the Notes and at all times subsequent thereto, up to and including the time of the delivery of the Notes to the initial purchasers thereof, the Official Statement of the City pertaining to said Notes did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement therein, in light of the circumstances under which it was made, not misleading;
- (e) The signature certificate of the officials of the City of Long Beach, showing that they have signed the Notes and impressed the seal of the City thereon, and that they were respectively duly authorized to execute the same; and
- (f) The receipt of the Treasurer of the City of Long Beach that the purchase price of the Notes has been received.

**INFORMATION AVAILABLE:** Requests for information concerning the City should be addressed to:

Public Financial Management  
633 West Fifth Street, Suite 6700  
Los Angeles, CA 90071  
Attn: Gus Bracamontes  
Phone: (213) 489-4075  
Fax: (213) 489-4085

CITY OF LONG BEACH

By:                     /s/ David Nakamoto                      
Treasurer, City of Long Beach

Dated:

**EXHIBIT B**

**NOTICE OF INTENTION TO SELL**

**[\$[AMOUNT]]\***

City of Long Beach, California  
2007-2008 Tax and Revenue Anticipation Notes

NOTICE IS HEREBY given that the City of Long Beach, California (the "City") intends to receive electronic proposals for the purchase of \$[AMOUNT]\* principal amount of City of Long Beach, California 2007-2008 Tax and Revenue Anticipation Notes (the "Notes"), as follows:

**Time:** 9:30 a.m., Pacific Daylight Time, on or after [\_\_\_\_], 2007, as established by the City and communicated through *The Bond Buyer Wire* not less than 24 hours prior to the time bids are to be received.

**Manner:** Electronic Bids, via the Grant Street Group's PFM Auction ("PFM Auction"). No other provider of electronic bidding services, and no other means of delivery of bids (e.g., telephone, facsimile, telegraph or personal delivery) will be accepted.

Electronic proposals may be submitted for receipt prior to the time for receipt of the bids at the time and place set forth above, only through the Grant Street Group's PFMAuction website, located at [www.PFMAuction.com](http://www.PFMAuction.com), in accordance with the procedures, terms and conditions set forth in the Notice Inviting Bids. Bidders expecting to submit a bid by electronic transmissions are requested to notify the City's financial advisor, Public Financial Management Inc., of their intent as early as possible. No other provider of Internet bidding services and no other means of delivery (i.e., telephone, facsimile or physical delivery) will be accepted. Changes in the date and time of receipt of proposals will be communicated via *The Bond Buyer Wire* not later than 12:00 p.m., Pacific Daylight Time, on the business day prior to the bid opening.

Copies of the complete Notice Inviting Bids together with copies of the Preliminary Official Statement to be issued in connection with the sale of the Notes and copies of the authorizing resolution and other documents related thereto may be obtained from the City or from the offices of the City's financial advisor at the following locations: City Treasurer, City of Long Beach, 6<sup>th</sup> Floor, 333 West Ocean Boulevard, Long Beach, California 90802-4664, Telephone: (562) 570-6845; and Public Financial Management Inc., Suite 6700, 633 West 5<sup>th</sup> Street, Los Angeles, California 90071, Telephone: (213) 489-4075.

The Preliminary Official Statement will be in a form deemed final by the City within the meaning of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, except for the omission of certain information permitted to be omitted therefrom pursuant to Rule 15c2-12 but is subject to revision, amendment and completion in a final Official Statement.

Dated: September \_\_, 2007

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\*Preliminary: subject to change.



**EXHIBIT C**

No. R-1

\$[AMOUNT]

\$[AMOUNT]  
City of Long Beach, California  
2007-2008 Tax And Revenue Anticipation Notes

<b>Dated Date</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>CUSIP No.</b>
October 1, 2007	[ ]%	September 30, 2008	542399 [ ]

Principal Amount: \_\_\_\_\_

FOR VALUE RECEIVED, THE CITY OF LONG BEACH, CALIFORNIA, a charter city of the State of California (the "City"), acknowledges itself indebted to and promises to pay to Cede & Co., at the office of the Treasurer of the City (the "Treasurer") the principal sum of \$[AMOUNT] in lawful money of the United States of America, on September 30, 2008, with interest thereon at the rate of [ ]% per annum, computed on a 30-day month and a 360-day year basis from the date hereof until payment in full of said principal sum. Both the principal of and the interest on this Note shall be payable upon surrender of this Note at the office of the Paying Agent as the same shall become due; provided, however, that no interest shall be payable for any period after maturity during which the registered owner hereof fails properly to present this Note for payment.

It is hereby certified, recited and declared that this Note is part of an issue of \$[AMOUNT] aggregate principal amount of Notes (the "Notes") issued by the City, under and in accordance with the provisions of Article 7.6 of Chapter 4, Part 1 of Division 2 of Title 5 of the California Government Code (constituting Sections 53850-53858, inclusive, of said Code), and a Resolution duly adopted by the City Council of the City on September 11, 2007.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the City during its 2007-2008 fiscal year. As security for the payment of principal of and interest on the Notes, the City has pledged an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending April 30, 2008; and an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending May 31, 2008; and an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending June 30, 2008; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending July 31, 2008; and amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending August 31, 2008; and an amount equal to 25% of the principal amount of the Notes plus an amount sufficient to pay interest on the Notes at maturity from the first unrestricted revenues of the City to be received in the month ending September 30, 2008 (such pledged amounts being hereinafter called the "Pledged Revenues"), and the principal of the Notes and the interest thereon shall be payable from the Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the City lawfully available therefore.

Unless this Note is presented by an authorized representative of The Depository Trust Company to the City or its agent for registration of transfer, exchange or payment, and any Note issued is registered in the name of Cede & Co. or such other name as requested by authorized representative of The Depository Trust Company and any payment is made to Cede & Co., any transfer, pledge or other use hereof for value or otherwise by or to any person is wrongful since the registered owner hereof, Cede & Co., has an interest herein.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that the Notes are issued in conformity with the laws of the State of California and the proceedings of the City Council, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of the Notes have existed, happened and been performed in regular and due time, form and manner as required by law, and that the Notes, together with all other indebtedness and obligations of the City, do not exceed any limit prescribed by the Constitution and statutes of the State of California.

IN WITNESS WHEREOF, the City has caused this Note to be executed by the City Manager and the City Treasurer, and has caused it to be countersigned by the City Clerk, which signatures may be either by their manual or facsimile signatures, has caused a facsimile of its official seal to be printed thereon, and has caused this Note to be dated October 1, 2007.

CITY OF LONG BEACH, CALIFORNIA

[SEAL]

By \_\_\_\_\_  
Anthony W. Batts, City Manager

By \_\_\_\_\_  
David S. Nakamoto, City Treasurer

COUNTERSIGNED:

By \_\_\_\_\_  
Larry Herrera, City Clerk

## **CERTIFICATE OF AUTHENTICATION**

Date of Authentication:

October 1, 2007

This is one of the Notes described in the within mentioned Resolution of the City of Long Beach, California.

**THE BANK OF NEW YORK TRUST  
COMPANY, N.A., as Paying Agent**

By \_\_\_\_\_  
Rose Bystrom, Vice President

EXHIBIT D

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 12, 2007

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: See "RATINGS" herein.

*In the opinion of Kutak Rock LLP, Note Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Under existing laws, regulations, rulings and judicial decisions, Note Counsel is further of the opinion that interest on the Notes is exempt from all present State of California personal income taxes. For a more complete description, see "TAX MATTERS" herein.*



**\$56,500,000\***  
**CITY OF LONG BEACH, CALIFORNIA**  
**2007-2008 TAX AND REVENUE ANTICIPATION NOTES**

**Dated: Date of Delivery**

**Due: September 30, 2008**

Principal of and interest on the City of Long Beach, California 2007-2008 Tax and Revenue Anticipation Notes (the "Notes") is payable on September 30, 2008 to the persons appearing on the registration books of The Bank of New York Trust Company, N.A., a national banking association, as paying agent (the "Paying Agent") as the registered owner thereof (the "Owner"), such interest and principal to be paid by check mailed by first-class mail to such Owner at the address as it appears on such registration books. So long as The Depository Trust Company ("DTC"), New York, New York, or its nominee, is the registered Owner of the Notes, payment of principal of and interest on the Notes will be made by wire directly to DTC or its nominee. DTC is obligated to remit such payments to the DTC Participants, who are in turn obligated to remit such payment to the beneficial owners of the Notes. The Notes are to be delivered in fully registered, book-entry form only. The Notes will be available to the beneficial owners thereof in the denomination of \$5,000 each and any multiple thereof under the book-entry system maintained by DTC. Purchasers of beneficial ownership interests in the Notes will not receive physical delivery of the Notes.

Principal Amount	Interest Rate	Yield	CUSIP <sup>1</sup>
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The Notes, in accordance with California law, are a general obligation of the City of Long Beach, California (the "City"), and are payable from taxes, income, revenues, cash receipts and other moneys of the City attributable to the City's 2007-2008 fiscal year commencing October 1, 2007 which are legally available for payment thereof. Certain of said moneys have been specifically pledged to the payment of the principal of the Notes and the interest thereon, to wit: an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City in the month ending April 30, 2008; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending May 31, 2008; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending June 30, 2008; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending July 31, 2008; an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending August 31, 2008; and an amount equal to 25% of the principal amount of the Notes, plus an amount sufficient to pay interest on the Notes at maturity, from the first unrestricted revenues received by the City in the month ending September 30, 2008.

**THE NOTES ARE NOT SUBJECT TO REDEMPTION PRIOR TO THEIR MATURITY.**

The cover page contains information for quick reference only, and is not a summary of this issue. Potential purchasers must read the entire Official Statement in order to obtain information essential to making an informed investment decision.

The Notes are offered when, as and if issued and delivered, subject to the approval as to their legality of Kutak Rock LLP, Denver, Colorado, Note Counsel. Certain additional legal matters will be passed upon for the City by Kutak Rock LLP, Denver, Colorado, as Disclosure Counsel. It is anticipated that the Notes, in definitive form, will be available for delivery through the facilities of DTC on or about October 1, 2007.

Electronic bids for the purchase of the Notes will be received by the City through Grant Street Group's PFMAuction electronic bidding website at 9:30 a.m., California time, on September 18, 2007, unless postponed, as set forth in the Notice Inviting Bids dated September 12, 2007.

Dated: September [ ], 2007

\* Preliminary, subject to change.

<sup>1</sup> Copyright 2006, American Bankers Association. CUSIP data is provided by Standard and Poor's, CUSIP Service Bureau, a division of the McGraw-Hill Companies Inc. CUSIP number is provided only for the convenience of the reader. The City takes no responsibility for the accuracy of such CUSIP number or for any changes or errors in this CUSIP number.



No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, projections or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. See "INTRODUCTION—Forward-Looking Statements."

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

This Official Statement and the information contained herein is in a form deemed final by the City for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). However, the information herein is subject to revision, completion or amendment in a final Official Statement.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXCEPTIONS CONTAINED IN SUCH ACT. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY, NOR ANY AGENCY OR DEPARTMENT THEREOF, HAS PASSED UPON THE MERITS OF THE NOTES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE CITY HAS ENTERED INTO AN UNDERTAKING FOR THE BENEFIT OF THE HOLDERS OF THE NOTES TO PROVIDE CERTAIN FINANCIAL INFORMATION AND OPERATING DATA TO CERTAIN INFORMATION REPOSITORIES ANNUALLY AND TO PROVIDE NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OR TO CERTAIN INFORMATION REPOSITORIES OF CERTAIN EVENTS, PURSUANT TO THE REQUIREMENTS OF SECTION (b)(5)(i) OF RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

**CITY OF LONG BEACH  
LOS ANGELES COUNTY, CALIFORNIA**

**MAYOR AND CITY COUNCIL**

Bob Foster,  
Mayor

Bonnie Lowenthal,  
First District, Vice Mayor

Suja Lowenthal, Second District

Dee Andrews, Sixth District

Gary DeLong, Third District

Tonia Reyes Uranga, Seventh District

Patrick O'Donnell, Fourth District

Rae Gabelich, Eighth District

Gerrie Schipske, Fifth District

Val Lerch, Ninth District

**CITY OFFICIALS**

Anthony W. Batts,  
City Manager

Michael A. Killebrew, Director of  
Financial Management

David S. Nakamoto, City Treasurer

Robert E. Shannon, City Attorney

Laura L. Doud, City Auditor

Thomas M. Reeves, City Prosecutor

Larry Herrera, City Clerk

**PROFESSIONAL SERVICES**

Kutak Rock LLP,  
Note Counsel and Disclosure Counsel

Public Financial Management, Inc.,  
Financial Advisor

The Bank of New York Trust Company, N.A.,  
Paying Agent

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## **OFFICIAL STATEMENT**

**\$56,500,000\***

### **CITY OF LONG BEACH, CALIFORNIA 2007-2008 TAX AND REVENUE ANTICIPATION NOTES**

#### **INTRODUCTION**

This Official Statement, including the Appendices hereto, has been prepared under the direction of the City of Long Beach, California (the "City"), in order to furnish information with respect to its sale of certain tax and revenue anticipation notes designated, "City of Long Beach, California, 2007-2008 Tax and Revenue Anticipation Notes" (the "Notes") in the aggregate principal amount of \$56,500,000\*. The Notes were authorized pursuant to the resolution of the City adopted September 11, 2007 (the "Resolution"), and will be issued in full conformity with the constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Government Code"). The Notes are a general obligation of the City payable solely from taxes, income, revenue, cash receipts and other moneys of the City attributable to its fiscal year commencing on October 1, 2007 (the "2007-2008 Fiscal Year") and legally available thereof. Proceeds from the sale of the Notes will be used for current General Fund expenditures, including current expenses and capital expenditures. The Government Code provides that the City may issue the Notes only if the principal of and interest on the Notes will not exceed 85% of the estimated moneys legally available for the payment of the Notes and the interest thereon.

The Notes and interest thereon are secured by a pledge of certain percentages of the City's first unrestricted revenues received in the months and in the amounts described under the caption "THE NOTES—Security for the Notes" below.

If the full amount of the revenues pledged in a particular month to the repayment of the Notes has not been received by the City, then the amount of any deficiency shall be satisfied and made up from the first additional moneys of the City received and lawfully available for payment of the Notes and interest thereon.

#### **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "projection," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results; those differences could be material.

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\* Preliminary, subject to change.



## **THE NOTES**

### **Authority for Issuance**

The Notes are issued under the authority of the cited provisions of the Government Code and pursuant to the Resolution (see "INTRODUCTION" above).

### **Purpose of Issue**

Issuance of the Notes will provide moneys to meet the City's 2007-2008 Fiscal Year General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the City.

### **Description of the Notes**

The Notes will be issued in the aggregate principal amount of \$56,500,000\* and will be issued in denominations of \$5,000 or integral multiples thereof. The Notes will be dated October 1, 2007 and will mature September 30, 2008. The Notes shall bear interest at the rate set forth on the cover page hereof, payable at maturity and computed on a 30-day month/360-day year basis. The Notes are to be delivered as fully registered Notes, without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. Purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof.

### **Security for the Notes**

The Notes and the interest thereon are payable from taxes, income, revenue, cash receipts and other moneys of the City attributable to the 2007-2008 Fiscal Year and legally available for payment thereof, and are secured by a pledge of certain of said moneys (the "Pledged Revenues"). As security for the payment of the Notes including the interest thereon, the City has pledged pursuant to the Resolution: (a) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending April 30, 2008; (b) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending May 31, 2008; (c) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending June 30, 2008; (d) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending July 31, 2008; (e) an amount equal to 15% of the principal amount of the Notes from the first unrestricted revenues received by the City during the month ending August 31, 2008; and (f) an amount equal to 25% of the principal amount of the Notes, plus an amount sufficient to pay interest on the Notes to maturity, from the first unrestricted revenues received by the City during the month ending September 30, 2008.

The Pledged Revenues shall be deposited by the City and held by the City Treasurer, acting as Fiscal Agent in trust in a special account (the "Repayment Account") and applied as directed under the Resolution. Any money deposited by the Fiscal Agent in the Repayment Account shall be for the benefit of the holders of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Account shall be applied only for purposes for which the Repayment Account was created. Amounts deposited by the City in the Repayment Account shall be applied solely for the purpose of paying the

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\* Preliminary, subject to change.

principal of and interest on the Notes, although such amounts shall be invested by the City in legal investments as permitted by Section 53601 of the Government Code of the State.

The Resolution requires that the Pledged Revenues be deposited and held in the Repayment Account until maturity, at which time the moneys in such fund will be used to repay the Notes. If during the foregoing period there are insufficient sources of Pledged Revenues to permit deposit of the full amount of Pledged Revenues, then the amount of any deficiency shall be satisfied from any other moneys of the City lawfully available for the repayment of the Notes and/or in the City's investment portfolio and in accordance with the investment policies of the City.

### **Available Sources of Repayment**

The Notes, in accordance with the Act, are general obligations of the City but are payable only out of unrestricted moneys, which include the taxes, income, revenue, cash receipts and other moneys of the City which are received by the City for the General Fund of the City for the 2007-2008 Fiscal Year and which are generally available for the payment of current expenses and other obligations of the City ("Unrestricted Moneys"). The Constitution of the State substantially limits the City's ability to levy ad valorem taxes (see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein). The City may, under the Act, issue the Notes only if the principal of, and interest on, the Notes and any other bonds, notes and warrants issued pursuant to the Act will not exceed 85% of the estimated moneys legally available for the repayment of the Notes and any other bonds, notes and warrants issued pursuant to the Act. The City currently expects that, other than the Notes, it will not issue any bonds, notes or warrants pursuant to the Act with respect to the 2007-2008 Fiscal Year. Further detail as to the estimated Unrestricted Moneys available for repayment and the resultant Note Coverage Ratio, defined below, can be found in Table III, "City of Long Beach Fiscal Year 2007-2008 Projected General Fund Cash Flow (in Thousands)," and Table I, "City of Long Beach 2007-2008 Estimated Unrestricted Moneys Available for Note Repayment (in Thousands)."

The "Note Coverage Ratio" is the ratio of estimated Unrestricted Moneys available to repay the principal of and interest on the Notes during the months of April 2008 through September 2008, to the amount of Unrestricted Moneys needed to pay principal of and interest on the Notes. The City expects to receive a projected \$190,915,000 in Unrestricted Moneys on a cash basis (including carry-over balances and transfers, but net of proceeds of the Notes) during the months of April 2008 through September 2008. Based on an amount of Unrestricted Moneys needed to pay principal and interest on the Notes of \$58,590,900\* the Note Coverage Ratio is 3.258\*.

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\* Preliminary, subject to change.

## Cash Flows

The table below gives details as to the source and amount of estimated Unrestricted Moneys available for repayment and the Note Coverage Ratio.

**TABLE I**  
**City of Long Beach**  
**2007-2008 Estimated Unrestricted Moneys**  
**Available for Note Repayment**  
**(in Thousands)**

Revenue Source	FY 08 Apr-Sep Amount	FY 08 Amount
Cash Balance, October 1	\$ 2,154	\$ 2,154
Property Tax	31,909	74,873
Sales Tax	19,488	39,441
Motor Vehicle in Lieu	1,668	3,300
In Lieu Sales Tax	6,500	13,000
In Lieu VLF	18,750	37,500
Oil Production Taxes	1,191	2,230
Utility Users Tax	20,389	43,055
Business License Tax	5,162	11,000
Transient Occupancy Tax	5,059	9,500
Other Taxes	1,437	2,563
Licenses & Permits	7,156	13,679
Fines & Forfeitures	10,846	21,058
Interest Earnings	3,765	7,762
Charges to other City Funds	14,007	26,083
Service Charges	6,118	13,419
City Utilities in Lieu	8,428	11,402
Interfund Transfers	12,873	13,679
RDA Loan Repayment	14,015	24,470
Miscellaneous	—	—
Total Unrestricted Money	\$ <u>190,915</u>	\$ <u>370,168</u>
Principal Plus Interest Needs *	\$ 58,590	\$ 58,590
Note Coverage Ratio *	3.258	6.318

\* Assumes \$56 million principal plus 3.70% interest on principal.

**TABLE II**  
**City of Long Beach Fiscal Year 2006-2007**  
**General Fund Cash Flow (in Thousands)**

**City of Long Beach - FY07 General Fund Cash Flow: PROJECTED**

(000's)	Actuals Oct-06	Actuals Nov-06	Estimate 12/1-12/19	Estimate 12/20-12/31	Actuals Jan-07	Actuals Feb-07	Actuals Mar-07	Actuals Apr-07	Actuals May-07	Actuals Jun-07	Actuals Jul-07	Estimate Aug-07	Estimate Sep-07	Total
<b>Beginning Cash Balance</b>	2,566	41,253	18,808	4,205	26,081	49,362	49,117	41,229	44,245	58,298	34,080	16,164	11,666	2,566
<b>Revenues</b>														
Property Taxes	117	1,801	0	25,921	7,867	4,022	259	19,843	7,504	291	1,421	1,657	739	71,442
Sales & Use Tax	2,579	3,438	0	3,662	2,764	3,685	3,236	2,584	3,445	3,025	2,850	3,533	4,027	38,627
Oil Production Taxes	3	0	470	64	20	0	546	10	8	542	17	0	546	2,224
Franchises	117	5,048	2,150	0	447	1,496	2,928	81	2,246	35	2,150	5,110	3,033	24,841
Utility Users Tax	3,903	3,759	504	2,037	4,317	3,408	3,403	3,633	3,276	3,012	3,398	4,446	4,446	42,358
Business License Tax	819	1,095	550	236	1,544	770	700	849	778	883	1,014	970	871	11,080
Transient Occupancy Tax	695	747	242	411	526	731	673	943	806	884	888	835	786	9,127
Other Taxes	230	0	125	45	0	159	284	0	411	0	283	251	138	1,905
Fines & Forfeitures	1,695	1,338	984	371	1,190	1,813	1,631	1,247	1,410	1,232	1,538	1,537	1,478	17,464
Interest on Investments	471	528	449	0	552	578	574	813	595	622	482	676	897	7,234
Other Use of Money & Property	1,551	945	226	841	1,118	1,162	679	1,644	1,119	1,367	1,162	1,105	1,289	14,009
State Prop. Tax Exempt. Replace.	0	0	0	98	232	0	0	0	232	99	0	0	0	663
Motor Vehicle in Lieu	180	259	111	0	515	0	121	353	254	123	35	511	939	3,400
Other	16	6	91	2	779	389	1,120	827	48	680	169	272	296	4,898
In Lieu Sales Tax	0	0	0	0	6,878	0	0	0	6,878	0	0	0	0	13,358
In Lieu VLF	0	0	0	0	17,206	0	0	0	17,206	0	0	0	0	34,413
City Utilities In-Lieu	0	0	0	0	0	2,775	2,775	0	0	2,925	0	1,456	1,081	11,013
Sundry Revenues	430	314	129	8	270	2,305	264	941	386	238	1,017	1,736	2,141	10,179
Interfund Transfers	0	0	0	0	5,138	720	2,776	525	0	5,554	0	998	9,073	24,784
Licenses and Permits	304	807	675	548	503	828	735	1,841	1,138	1,377	1,109	1,326	1,290	12,282
From Other Govt. Agencies	0	29	36	0	56	318	126	318	112	49	23	619	838	2,524
Charges to Other City Funds	784	130	1,144	1,388	2,188	3,164	1,288	2,637	3,990	1,686	3,818	3,872	4,927	30,799
Other Reimb and Chgs for Svcs	660	646	415	81	3,130	557	535	432	748	1,759	935	864	1,642	12,393
RDA Loan Repayment	0	0	0	9,814	26	800	0	8,360	1,600	0	2,850	1,075	0	24,325
TRAN-Principal	54,585	0	0	0	0	0	0	0	0	0	0	0	0	54,585
Miscellaneous	213	0	0	0	0	0	0	0	0	0	0	0	0	213
<b>Sub-Total</b>	69,323	20,896	8,300	45,130	57,045	29,878	24,632	47,682	53,973	26,848	24,352	31,801	40,468	480,117
<b>Expenditures</b>														
Personal	(15,794)	(23,531)	(13,170)	(21,359)	(24,977)	(24,099)	(23,820)	(27,380)	(23,311)	(33,837)	(28,943)	(21,018)	(28,691)	(305,928)
Non-Personal Services	(2,804)	(3,595)	(2,429)	(1,806)	(5,440)	(4,299)	(5,467)	(4,721)	(4,886)	(5,843)	(4,545)	(4,758)	(5,288)	(55,482)
Capital Outlay	0	(476)	(166)	(43)	(198)	(266)	(298)	(189)	(514)	(65)	(247)	(196)	(396)	(3,071)
Debt Service	(2,531)	(1,388)	(138)	(168)	(885)	(280)	(489)	(1,986)	(832)	(1,646)	(253)	(947)	(2,609)	(13,833)
RDA Loan	(7,000)	(7,000)	(7,000)	0	0	0	0	0	0	0	0	0	0	(21,000)
TRAN-Principal Repayment	0	0	0	0	0	0	0	(8,100)	(8,100)	(8,100)	(8,100)	(8,100)	(13,500)	(54,000)
TRAN-Interest Repayment	0	0	0	0	0	0	0	(365)	(365)	(365)	(365)	(365)	(908)	(2,430)
Operating Transfers	0	(8,885)	0	0	0	0	0	0	0	0	0	0	0	(8,885)
Internal Services	(2,707)	(435)	0	(81)	(2,274)	(1,000)	(2,445)	(2,228)	(1,913)	(1,189)	(1,817)	(915)	(879)	(17,863)
Miscellaneous	0	(230)	0	(6)	0	0	0	0	0	0	0	0	0	(236)
<b>Sub-Total</b>	(30,836)	(43,340)	(22,903)	(23,243)	(33,774)	(29,923)	(32,520)	(44,666)	(38,922)	(51,064)	(42,269)	(36,299)	(49,870)	(480,529)
<b>Ending Cash Balance</b>	41,253	18,808	4,205	26,081	49,362	49,117	41,229	44,245	58,298	34,080	16,164	11,666	2,154	2,154

**TABLE III**  
**City of Long Beach Fiscal Year 2007-2008**  
**Projected General Fund Cash Flow (in Thousands)**

**City of Long Beach - FY08 General Fund Cash Flow: PROJECTED**

(000's)	Estimate Oct-07	Estimate Nov-07	Estimate 12/1-12/19	Estimate 12/20-12/31	Estimate Jan-08	Estimate Feb-08	Estimate Mar-08	Estimate Apr-08	Estimate May-08	Estimate Jun-08	Estimate Jul-08	Estimate Aug-08	Estimate Sep-08	Total
Beginning Cash Balance	2,154	(18,206)	(33,642)	(55,891)	(18,929)	3,301	4,442	(2,112)	8,603	38,172	15,270	5,253	2,444	2,154
<b>Revenues</b>														
Property Taxes	387	1,313	0	27,359	7,466	5,778	662	21,256	6,799	439	1,859	1,736	20	74,873
Sales & Use Tax	2,615	3,473	0	3,970	2,695	3,478	3,723	2,537	2,639	4,044	2,714	3,407	4,147	39,441
Oil Production Taxes	13	4	78	383	97	13	452	90	1	445	112	0	543	2,230
Franchises	12	7,282	0	199	544	1,729	3,311	566	4,766	8	9	5,480	436	24,343
Utility Users Tax	4,130	3,576	1,100	2,561	3,884	3,861	3,752	3,139	2,921	3,349	3,261	3,223	4,496	43,055
Business License Tax	733	1,148	573	335	1,498	783	789	1,063	629	816	935	970	749	11,000
Transient Occupancy Tax	738	814	372	324	584	737	871	871	753	812	878	872	873	9,500
Other Taxes	137	122	125	123	246	141	231	328	272	242	259	140	196	2,563
Fines & Forfeitures	1,812	1,430	903	946	1,723	1,517	2,081	1,990	1,506	1,824	1,889	1,859	1,768	21,058
Interest on Investments	856	531	58	477	519	842	715	871	505	986	513	498	614	7,762
Other Use of Money & Property	948	832	236	684	1,343	875	1,256	1,168	922	1,348	1,185	1,100	1,978	13,977
State Prop. Tax Exempt. Replace.	0	0	0	112	261	0	0	0	219	113	0	0	0	704
Motor Vehicle In Lieu	237	226	206	11	306	361	285	389	236	262	250	280	271	3,300
Other	241	248	88	112	160	485	596	1,053	199	289	340	249	620	4,669
In Lieu Sales Tax	0	0	0	0	8,500	0	0	0	8,500	0	0	0	0	13,000
In Lieu VLF	0	0	0	0	18,750	0	0	0	18,750	0	0	0	0	37,500
City Utilities In-Lieu	0	0	0	0	0	1,076	1,696	948	501	1,362	1,323	2,317	1,977	11,402
Sundry Revenues	320	214	108	145	421	171	661	255	207	896	302	1,072	1,323	6,195
Interfund Transfers	37	14	0	1,194	5,131	4,092	2,605	521	311	911	376	1,042	9,712	25,947
Licenses and Permits	999	964	604	428	1,019	1,245	1,365	1,131	1,058	1,478	1,128	1,243	1,118	13,679
From Other Govt. Agencies	106	20	41	17	72	277	374	138	297	207	197	367	898	3,010
Charges to Other City Funds	2,177	819	3,207	581	1,480	2,235	1,578	1,911	983	739	909	1,028	8,437	26,083
Other Reimb and Chgs for Svcs	848	632	58	722	3,048	679	1,312	1,160	838	1,166	983	938	1,035	13,419
RDA Loan Repayment	0	0	0	9,614	26	815	0	7,345	2,900	0	2,850	1,220	0	24,470
TRAN-Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>17,144</b>	<b>23,768</b>	<b>7,654</b>	<b>50,298</b>	<b>57,763</b>	<b>30,993</b>	<b>28,406</b>	<b>48,500</b>	<b>54,411</b>	<b>21,814</b>	<b>22,069</b>	<b>29,039</b>	<b>41,232</b>	<b>433,179</b>
<b>Expenditures</b>														
Personal	(22,368)	(26,735)	(17,582)	(10,985)	(28,964)	(24,142)	(28,389)	(26,897)	(21,010)	(35,532)	(26,156)	(25,306)	(28,596)	(323,522)
Non-Personal Services	(2,678)	(3,574)	(2,866)	(1,254)	(4,220)	(3,773)	(4,192)	(4,625)	(3,012)	(3,977)	(3,607)	(4,155)	(8,468)	(50,401)
Capital Outlay	(17)	(23)	(69)	(15)	(168)	(206)	(201)	(80)	(259)	(83)	(85)	(106)	(361)	(1,865)
Debt Service	(355)	(139)	(1,141)	(701)	(188)	(202)	(385)	(4,597)	(971)	(1,282)	(144)	(168)	(1,047)	(11,321)
RDA Loan	(10,470)	(7,000)	(7,000)	0	0	0	0	0	0	0	0	0	0	(24,470)
TRAN-Principal Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TRAN-Interest Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Internal Services	(1,815)	(1,732)	(1,285)	(400)	(1,966)	(1,530)	(1,872)	(1,785)	(1,595)	(1,881)	(2,068)	(2,113)	(2,156)	(22,005)
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Sub-Total</b>	<b>(37,504)</b>	<b>(39,202)</b>	<b>(29,903)</b>	<b>(13,336)</b>	<b>(36,533)</b>	<b>(29,852)</b>	<b>(35,050)</b>	<b>(37,785)</b>	<b>(26,842)</b>	<b>(42,716)</b>	<b>(32,087)</b>	<b>(31,848)</b>	<b>(41,728)</b>	<b>(433,395)</b>
<b>Ending Cash Balance</b>	<b>(18,206)</b>	<b>(33,642)</b>	<b>(55,891)</b>	<b>(18,929)</b>	<b>3,301</b>	<b>4,442</b>	<b>(2,112)</b>	<b>8,603</b>	<b>38,172</b>	<b>15,270</b>	<b>5,253</b>	<b>2,444</b>	<b>1,948</b>	<b>1,948</b>



### Sources and Uses of Funds

The following table presents the estimated sources and uses of funds in connection with the issuance of the Notes.

#### Sources

Principal Amount of Notes	\$ _____
Original Issue Premium	_____
Total Sources	\$ _____

#### Uses

Deposit to General Fund	\$ _____
Costs of Issuance <sup>1</sup>	_____
Total Uses	\$ _____

<sup>1</sup> Includes underwriter's discount, legal fees, printing expenses and other costs of issuance.

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## **Covenant Regarding Further Disclosure**

Pursuant to the Resolution, the City has covenanted to comply with S.E.C. Rule 15c2-12(b)(5) and will enter into a Continuing Disclosure Certificate as of the closing date, in which it covenants to provide information regarding material adverse events, if any such events should occur in connection with the following, to the owners of the Notes and to certain Nationally Recognized Municipal Securities Information Repositories and a State Repository, if any, during the term of the Notes:

- (a) principal and interest payment delinquencies or delinquencies in any scheduled deposit into a Repayment Account;
- (b) non-payment related defaults;
- (c) unscheduled draws on any debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Notes;
- (g) modifications to the rights of Noteholders;
- (h) contingent or unscheduled note calls;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes; or
- (k) rating changes.

See "APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE."

## **Book-Entry-Only System**

**Introduction** Unless otherwise noted, the information contained under the subcaption "—General" below has been provided by DTC. The City makes no representations as to the accuracy or completeness of such information. The beneficial owners of the Notes should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE PAYING AGENT, IF ANY, WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE NOTES UNDER THE AGREEMENT, (C) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT OF ANY AMOUNT WITH RESPECT TO THE OWNER OF THE NOTES; (D) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF NOTES; OR (E) ANY OTHER MATTER REGARDING DTC.

**General** DTC will act as securities depository for the Notes. The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other

name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be issued for each issue of the Notes each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of securities transactions in deposited securities through electronic computerized transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of DTC’s Direct Participants and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard and Poor’s Ratings Services’ highest rating: AAA. The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC’s website as described in the preceding sentence, including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF NOTES AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.**

## **THE CITY**

### **General**

The City is a municipal corporation and chartered city of the State and encompasses approximately 52 square miles of coastal area located on the southern edge of Los Angeles County (the "County"). With a current population of approximately 490,000, it is the second largest city in the County and the fifth largest city in the State of California. The City's climate is mild, with temperatures ranging from an average of 54 degrees in January to 72 degrees in July. Precipitation averages 12.1 inches per year. The center of the City is 22 miles south of downtown Los Angeles, 450 miles south of San Francisco and 110 miles north of San Diego. The City has long been a major industrial center and

popular beach resort area. The Port of Long Beach (the “Port”), along with its related commercial activities, imparts strength to the local economy. Further, the City has been successful in building a substantial tourist and convention business and is currently taking vigorous steps to augment tax revenues from these sources.

### **Municipal Government**

The City was originally incorporated in 1888, and after a short period of disincorporation, was reincorporated on December 13, 1897. Since 1907, the City has been governed as a charter city. The present City charter was originally adopted in 1921 and has been amended from time to time.

The City operates under the council-manager form of government with a nine-member City Council. City Council members are nominated and elected by district to serve four-year terms, with a maximum of two such terms. The Mayor is nominated and elected by the City at large. The Vice-Mayor is elected by the Council from among its members. Other city-wide elected offices are City Attorney, City Auditor and City Prosecutor.

The City Manager is appointed by and serves at the discretion of the Mayor and City Council. As head of the municipal government, the City Manager is responsible for the efficient administration of all departments, with the exception of the elective offices noted above and the following three semi-autonomous commissions: Civil Service Commission, Board of Water Commissioners and Board of Harbor Commissioners. The City currently employs approximately 5,700 persons within 22 departments.

The police department consists of approximately 1,478 uniformed officers and supporting personnel. The fire department operates 23 fire stations with approximately 568 firefighters, officers and employees. The City’s fire department currently maintains a Class One insurance rating.

The City’s Enterprise Funds (water, sewer, gas, airport, harbor solid waste management and towing) represent assets of more than \$2.829 billion. In Fiscal Year 2006, these municipal enterprises generated operating revenues equal to approximately \$986 million.

In 1931, a Charter amendment was passed which created the Board of Water Commissioners and authorized the City to join the Metropolitan Water District of Southern California. These decisions sought to ensure an adequate water supply for the City.

Within the framework of the City’s General Plan, orderly growth and development of the community is controlled by a three-step planning and budgetary process utilizing the following instruments: the annual budget, the six-year Capital Improvement Program and the five-year Long Range Financial Plan.

### **Population**

The City’s population as of January 1, 2006, was estimated to be 490,166 persons. This figure represents 4.8% of the corresponding County figure and 1.3% of the corresponding State figure. The City’s population increased 28.1% during the three decades between 1970 and 2000. The following table sets forth the City’s population growth relative to the population of the County and the State. Population data for 2002-2006 are as of January 1, while the census amounts for 1970, 1980, 1990 and 2000 are as of April 1.

**TABLE IV**  
**City of Long Beach,**  
**County of Los Angeles and State of California**  
**Population Data**

<b>Year</b>	<b>City of Long Beach</b>	<b>County of Los Angeles</b>	<b>State of California</b>
2006	490,166	10,245,572	37,172,015
2005	491,564	10,226,506	36,810,358
2004	487,305	10,107,451	36,271,091
2003	481,026	9,979,361	35,691,442
2002	473,363	9,828,805	35,088,671
2000	461,522	9,519,330	33,871,648
1990	429,321	8,863,052	29,758,213
1980	361,500	7,477,657	22,911,000
1970	358,879	7,036,980	19,971,022

Source: California State Department of Finance

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## Personal Income

The following chart sets forth the yearly total effective buying income and the median household effective buying income for the City, the County and the State of California for the periods of 2002 through 2006:

**TABLE V**  
**City of Long Beach,**  
**County of Los Angeles and State of California**  
**Personal Income 2002-2006**

<b>Year</b>	<b>Area</b>	<b>Total Effective Buying Income (in Thousands)</b>	<b>Median Household Effective Buying Income</b>
2006	City of Long Beach	\$ 7,875,111	\$35,493
	Los Angeles County	180,131,260	40,335
	State of California	720,803,929	44,890
2005	City of Long Beach	7,753,885	34,722
	Los Angeles County	177,575,730	39,414
	State of California	705,108,410	43,915
2004	City of Long Beach	7,436,738	33,759
	Los Angeles County	169,307,295	38,311
	State of California	674,721,020	42,924
2003	City of Long Beach	7,195,690	33,743
	Los Angeles County	162,413,790	37,983
	State of California	647,879,427	42,484
2002	City of Long Beach	8,148,871	40,086
	Los Angeles County	170,440,432	40,789
	State of California	650,521,407	43,532

Source: Claritas Incorporated

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## Employment

The California Employment Development Department compiles data monthly on the status of employment and unemployment in the Los Angeles-Long Beach labor market (Los Angeles County). As an integral part of the Los Angeles metropolitan area, the City benefits from the wide variety of job opportunities available in neighboring communities throughout the County.

The following table sets forth the average employment for major industry types within the City:

**TABLE VI**  
**City of Long Beach**  
**Average Employment by Industry**  
**January – March 2006**

<b>Industry</b>	<b>Employment</b>	<b>Percent of Total</b>
Services	75,125	44.95%
Government	26,798	16.04
Manufacturing	17,600	10.53
Retail Trade	14,487	8.67
Transportation, Warehousing, Utilities	12,389	7.41
Finance, Insurance, Real Estate	8,863	5.30
Construction and Mining	6,068	3.63
Wholesale Trade	5,726	3.43
Agriculture, Forestry, Fishing, Hunting	<u>65</u>	<u>0.04</u>
Total Wage and Salary	<u>167,121</u>	<u>100.00%</u>

Source: Employment Development Department, Labor Market Division

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The following table summarizes labor force, employment and unemployment by industry since 2002 in the City, the State and the United States:

**TABLE VII**  
**City of Long Beach Labor Market**  
**Labor Force, Employment and Unemployment Annual Average**

Year	Area	Civilian Labor Force	Employment	Unemployment	Unemployment Rate (%)
2006	Long Beach <sup>1</sup>	234,642	221,842	12,800	5.5%
	California <sup>1</sup>	17,773,825	16,916,392	857,433	4.8
	United States <sup>2</sup>	151,428,000	144,427,000	7,001,000	4.6
2005	Long Beach <sup>3</sup>	233,000	218,800	14,200	6.1
	California	17,695,600	16,746,900	948,700	5.4
	United States <sup>2</sup>	149,320,000	141,730,000	7,591,000	5.1
2004	Long Beach <sup>3</sup>	231,300	214,000	17,300	7.5
	California <sup>3</sup>	17,499,600	16,407,900	1,091,700	6.2
	United States <sup>2</sup>	147,401,000	139,252,000	8,149,000	5.5
2003	Long Beach <sup>3</sup>	231,200	212,700	18,500	8.0
	California <sup>3</sup>	17,403,900	16,212,600	1,191,300	6.8
	United States <sup>2</sup>	146,510,000	137,736,000	8,774,000	6.0
2002	Long Beach	231,000	213,100	18,000	7.8
	California <sup>3</sup>	17,330,700	16,168,200	1,162,500	6.7
	United States <sup>2</sup>	144,863,000	136,485,000	8,378,000	5.8

<sup>1</sup> Preliminary Estimate.

<sup>2</sup> U.S. Department of Labor – Bureau of Labor Statistics.

<sup>3</sup> Restated prior years.

Source: State of California Employment Development Department

### Major Employers

The largest employer in the City is the Long Beach Unified School District, employing approximately 9,064 people. The Long Beach Unified School District has 91 schools and serves approximately 93,500 students. The second largest employer in the City is The Boeing Company (“Boeing”), with facilities at the Long Beach Airport, employing approximately 6,525 persons. See “— Education” below.

Other major employers in the City include government, education and health care providers, including the City, California State University (Long Beach), Long Beach Memorial Medical Center and the Veterans Affairs Medical Center.

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The following table sets forth the City's major employers:

**TABLE VIII**  
**City of Long Beach**  
**Major Employers As of September 30, 2006**

<b>Employer</b>	<b>Number of Employees</b>
1. Long Beach Unified School District	9,064
2. The Boeing Company	6,525
3. California State University, Long Beach	6,007
4. City of Long Beach	5,854
5. Long Beach Memorial Medical Center	3,500
6. Verizon	2,000
7. Long Beach City College	2,000
8. U.S. Postal Service	1,900
9. Veterans Affairs Medical Center	1,700
10. St. Mary's Medical Center	1,634
11. CSU Long Beach Foundation	1,600
12. Direct TV, Inc.	1,126
13. Pacific Hospital of Long Beach	800
14. The Bragg Companies	800
15. Long Beach Transit	740

Source: City of Long Beach Comprehensive Annual Financial Report – Fiscal Year 2006  
Unaudited

### **Industry**

The City is an important component of the County industrial complex, the largest concentration of major industrial firms in the western United States. The aircraft/aerospace products group represents a very important single industrial category in the City. Boeing is the second largest employer in Long Beach. Other important industries include petroleum and chemical production, metal fabrication and food and kindred product production.

### **Military Installations**

All of the major military installations previously located in the City have been closed. The Harbor Department of the City (the "Harbor Department") is converting the former Long Beach Naval Station and the former Long Beach Naval Shipyard to a container terminal. Other closed military facilities have been razed or converted into a variety of other uses including a research and development business park, a veterans homeless transition center, a United States Job Corps training facility, a public high school owned and operated by Long Beach Unified School District and a retail and entertainment center. The only military facility that will continue to influence the Long Beach economy is the Naval Weapons Station in Seal Beach, immediately to the south of the City. This facility continues to provide weapons service and ammunition to the Pacific Fleet. A Naval Reserve facility continues to operate in the City's port district.

### **Commercial Activity**

Retail sales activity is located throughout the City, from the central business district to the updated Los Altos and Marina Pacifica "power" centers, both of which opened in 1996, and the Towne

Center, a 100-acre retail development built on the site of the former Long Beach Naval Hospital, which opened in November 1998. The World Trade Center in the downtown area of the City contains more than two million square feet of office space and is an international focal point for shipping, finance and trade services.

North of the Port at the intersection of the San Diego (I-405) and Long Beach (I-710) freeways is the 55-acre Freeway Business Center, a high-technology office complex which includes Direct TV, Irvin Industries, Inc., Epson America, Inc., Mercedes Benz, Denso Sales California and Toyota. The 60-acre Long Beach Airport Business Park contains over 800,000 square feet of mid-rise office space and is the site for the Long Beach Business Park and the North Long Beach Business Center. Located in the northern part of the City, these facilities offer a combined total of more than 20.5 acres of office, commercial and industrial space near to the I-405 and I-710 Freeways, two major arteries in the Southern California freeway system. See “—Transportation” below. The 50-acre Kilroy Airport Center provides 800,000 square feet of office space, with an additional 250,000 square feet planned in the near future. Kilroy Realty is currently marketing Phase IV of the Kilroy Airport Center, which is expected to contain 230,000 square feet of office space within several 3 and 4-story buildings.

Several hotels are located in the City, including the Westin Long Beach, Renaissance, Hilton, Hyatt Regency Long Beach, Holiday Inn, Golden Sails Hotel, Long Beach Airport Marriott, the Queen Mary Hotel and the West Coast Long Beach Hotel. Plans for several all-suites and/or “conference” hotels in the downtown/ocean are also being constructed or formulated and some have been recently completed.

The following table sets forth the City’s hotel/motel occupancy tax receipts (currently computed at 12%) during the period 2002-2006:

**TABLE IX**  
**City of Long Beach**  
**2001-2006 Hotel/Motel Occupancy Tax Receipts**  
**(in Millions)**

<b>Fiscal Year</b>	<b>Hotel/Motel Occupancy Tax Receipts</b>
2006	\$16.6
2005	15.5
2004	14.1
2003	13.1
2002	12.4

Source: City of Long Beach; State of California, Department of Finance

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Taxable sales transactions in the City increased 6.3% between 2005 and 2006. During the period 2002 through 2006, taxable transactions increased 31.5%. The following table illustrates the City's annual volume of taxable transactions from 2002 through 2006:

**TABLE X**  
**City of Long Beach**  
**Taxable 2002-2006 Transactions**  
**(in Thousands)**

Type of Business	2006	2005	2004 <sup>1</sup>	2003 <sup>1</sup>	2002 <sup>1</sup>
Apparel Stores	\$ 152,635	\$ 152,729	\$ 142,287	\$ 134,738	\$ 128,458
General Merchandise Stores	301,672	296,269	280,571	254,007	193,295
Drug Stores	74,384	73,620	64,078	62,970	59,301
Food Stores	213,192	209,092	197,976	198,785	197,291
Packaged Liquor Stores	29,225	30,412	30,480	30,246	31,747
Eating/Drinking Places	647,695	606,028	556,316	516,576	491,646
Home Furnishings and Appliance Stores	170,494	134,569	110,771	143,272	136,963
Building Materials and Farm Implements	251,962	228,915	190,723	176,649	167,301
Auto Dealers/Auto Supplies	469,089	472,287	403,914	469,386	486,844
Service Stations	484,661	448,430	379,311	290,582	238,562
Other Retail Stores	<u>379,436</u>	<u>409,750</u>	<u>406,217</u>	<u>362,766</u>	<u>372,299</u>
Retail Stores Totals	\$3,174,445	\$3,062,101	\$2,762,644	\$2,639,977	\$2,503,707
All Other Outlets	<u>1,350,166</u>	<u>1,193,770</u>	<u>1,086,022</u>	<u>1,056,124</u>	<u>937,892</u>
Total All Outlets	<u>\$4,524,611</u>	<u>\$4,255,871</u>	<u>\$3,848,666</u>	<u>\$3,696,101</u>	<u>\$3,441,599</u>

<sup>1</sup> Restated prior year.

Source: The HDL Companies and the State of California – Board of Equalization

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## Construction

The City issued building permits valued at approximately \$343 million during Fiscal Year 2006. Of this total, approximately 71% consisted of residential construction and approximately 29% consisted of non-residential construction. The City's annual permit values since fiscal year 2002 are set forth below:

**TABLE XI**  
**City of Long Beach**  
**Building Permit Valuations**

	2006	2005	2004	2003	2002
<b>Type of Permit</b>					
<b>Residential</b>					
New Single Dwelling	\$ 41,568,987	\$ 27,968,744	\$ 16,824,990	\$ 11,032,511	\$ 35,396,824
New Multi Dwelling	73,148,732	46,356,534	32,401,304	109,533,689	43,115,646
Additions/Alterations	<u>130,081,723</u>	<u>134,878,539</u>	<u>116,133,274</u>	<u>104,586,708</u>	<u>85,067,499</u>
Total Residential	<u>\$244,799,442</u>	<u>\$209,203,817</u>	<u>\$165,359,568</u>	<u>\$225,152,908</u>	<u>\$163,579,969</u>
<b>Non-Residential</b>					
New Commercial	\$ 3,847,432	\$ 13,184,839	\$ 9,411,641	\$ 57,229,274	\$ 77,910,384
New Industrial	166,950	2,525,000	7,550,081	5,000,355	10,326,461
Other	12,777,673	8,055,962	15,598,360	31,086,592	42,046,740
Additions/Alterations	<u>81,803,819</u>	<u>62,529,344</u>	<u>68,900,290</u>	<u>100,248,915</u>	<u>57,591,861</u>
Total Non-Residential	<u>\$ 98,595,874</u>	<u>\$ 86,495,145</u>	<u>\$101,460,372</u>	<u>\$193,565,136</u>	<u>\$187,875,446</u>
Total Valuation	<u>\$343,395,315</u>	<u>\$295,698,962</u>	<u>\$266,819,940</u>	<u>\$418,718,044</u>	<u>\$351,455,414</u>

Source: City of Long Beach, Department of Planning and Building

## Visitor and Convention Business

Tourism has long been a significant factor in the City's economy. Boating facilities, marinas, sport fishing, shops and eight miles of public beaches attract thousands of visitors to the City each year. Other recreational facilities and attractions include the Long Beach Aquarium of the Pacific, the Queen Mary, the Community Playhouse, a municipal band and symphony orchestra, the Sports Arena, the Terrace and Center Theaters, Belmont Plaza Pool, the Long Beach Grand Prix and the Long Beach Ice Dogs professional ice hockey team. The Long Beach Museum of Art and the Museum of Latin American Art are both located within the City.

In 1994, the City approved the Queensway Bay Development Plan to create a premier waterfront attraction in Southern California, now known as Pike at Rainbow Harbor. The City is also home to Pike at Rainbow Harbor, a premier waterfront attraction in Southern California comprised of 300 acres of prime oceanfront land adjacent to the City's commercial core. It includes the Long Beach Aquarium, Rainbow Harbor, the expanded Long Beach Convention Center and up to 500,000 square feet of entertainment/retail development. The Long Beach Aquarium and Rainbow Harbor opened to the public in June 1998.

The Queen Mary, a vintage ocean liner open to the public since 1971, provides the City with a unique and interesting tourist attraction. The six-deck "Living Sea Museum" is the only facility of its kind in the world. The Queen Mary features three major restaurants, three fast food service facilities and 40 specialty shops. The Queen Mary Hotel, with 365 rooms, is aboard the ship. In addition, a Russian

submarine, the "Scorpion," is currently docked adjacent to the Queen Mary and is open for visitors. The Scorpion is another premier waterfront attraction complementing the popular Aquarium of the Pacific and the Queen Mary. Carnival Cruise Lines operates a homeport in Long Beach for its cruises to Mexico, adjacent to the Queen Mary.

The West Coast Long Beach Hotel, located on 18.8 waterfront acres west of the Queen Mary, is a development designed to afford 85% of the rooms with ocean views. The hotel consists of 200 rooms and offers resort style amenities in close proximity to the Queen Mary and Downtown attractions.

Formula 500 cars first raced through city streets and along the shoreline during the Long Beach Grand Prix in September 1975. The race was the first to be run on city streets in this country in 50 years. The City has hosted the United States Grand Prix West, now featuring "Indy" cars, every year since 1977 in what is now commonly known as the Long Beach Grand Prix. This event attracts approximately 200,000 visitors to the City each year.

### **Long Beach Convention Center**

The City has fostered convention business by expanding convention facilities and encouraging private sector participation. Trade shows, conventions, athletic contests and other events are held regularly at the Long Beach Convention and Entertainment Center (the "Convention Center"), which is part of the Pike at Rainbow Harbor oceanfront development. The Convention Center was enlarged in 1994 to accommodate 318,000 square feet of exhibit space. This expansion increased the total number of conventions and meetings held at the Convention Center, which competes with convention centers in cities such as Albuquerque, San Jose, Denver and Phoenix, and larger facilities in Los Angeles, Anaheim and San Diego. Marketing of the Convention Center by the Long Beach Convention and Visitors Bureau has resulted in increased occupancy rates for hotels serving the Convention Center. Following the attacks in New York City and on the Pentagon in Washington, D.C. on September 11, 2001, occupancy rates declined. However, the City expects occupancy rates to increase as the Convention Center attracts additional regional convention business.

A \$2.8 million renovation of the Convention Center was substantially completed in the fall of 2001. The renovation was completed pursuant to an agreement between the City and the Jehovah's Witness organization, under which the Jehovah's Witness organization supplied materials and labor for the renovation in exchange for the City's permission to use the facility for 12.6 years. The City expended \$300,000 for permits, furniture and equipment in connection with the renovation.

The following table sets forth convention and delegate attendance since 2002:

**TABLE XII**  
**City of Long Beach**  
**Convention and Delegate Attendance**

<b>Calendar Year</b>	<b>Number of Conventions</b>	<b>Number of Delegates</b>
2006	226	446,739
2005	235	440,083
2004	218	495,302
2003	187	470,283
2002	125	405,870

Source: Long Beach Convention and Visitors Council

## **Shoreline Village**

Shoreline Village, which has proven to be an integral part of Long Beach visitor offerings, continues an aggressive marketing effort. With the addition of the Yardhouse and the Village Hat Shop, Shoreline is working to provide quality retail, dining and recreation as entertainment experiences for visitors, particularly those who stay at the downtown hotels.

## **Downtown Long Beach**

The Pine Avenue corridor has enjoyed success since the 1995 addition of such retailers as Z Galleri, who opened an expanded version of their popular home furnishings store, and an assortment of restaurants. CityPlace, an urban retail development in the heart of downtown, covers eight city blocks. CityPlace is approximately 450,000 square feet of retail space and 341 of residential units. Tenants include Wal-Mart, Albertson's, Sav-On, Nordstrom Rack, and Ross Dress For Less and several other apparel stores and eateries. Hoteliers report that the area gives their guests a refreshing option for dining and entertainment alternatives. Pine Avenue's concentration of dining establishments confirms restaurants as the principal element of the area.

## **Long Beach Towne Center**

In November 1998, the development of the Long Beach Towne Center was completed. It is an approximately 850,000 square foot community retail shopping center located on approximately 81 acres within the City at the southwest corner of Carson Street and the I-605 Freeway. The current operator of the Long Beach Towne Center is CREA/PPC Long Beach Towne Center PO, LLC, a Delaware limited liability company.

## **Pike at Rainbow Harbor Project**

The \$450 million Pike at Rainbow Harbor Project (previously known as the Queensway Bay Project) developed by Developers Diversified Realty Corporation is one of the largest shoreline developments in California history. The Pike at Rainbow Harbor Project includes approximately 500,000 square feet of waterfront retail and entertainment space. The Pike at Rainbow Harbor is a joint venture of public and private investment. The development converted 300 acres of prime oceanfront property at the edge of downtown Long Beach into a major resort. The Pike at Rainbow Harbor Project includes the Aquarium of the Pacific, Shoreline Park, Rainbow Harbor, the retail portion of the Pike Project and the condominium housing portion of the Pike Project.

The Rainbow Harbor, named after Long Beach's famous Rainbow Pier from the early part of the twentieth century, offers visitors a wide variety of dinner cruises, fishing and diving charters, and water taxis that shuttle between the downtown entertainment district and the historic Queen Mary oceanliner. The Aquarium of the Pacific is located on a five-acre site within Rainbow Harbor, and contains exhibits with more than 12,000 ocean animals, representing over 550 species native to the Pacific Ocean. The Aquarium also contains a theater, learning center, shark lagoons, an indoor/outdoor restaurant and a large gift shop.

## **Petroleum Production**

The Wilmington Oil Field, which is one of the largest oil fields in the United States, traverses Long Beach. Since 1939, the City has developed and managed the oil operations on its Upland and Tideland properties. The Upland properties are owned by the City and the revenues can be used for general-purpose activities. The Tideland properties are owned by the City in trust for the State. The

revenues generated by the Tidelands properties, by legislation, are shared between the City, State and two contracting oil production companies, Occidental Petroleum Corp. and Tidelands Oil Production Company. The City's share can only be used in support of Tidelands purposes.

Operation of the Wilmington Oil Field is managed by two contractors, Tidelands Oil Production Company and Occidental Petroleum Corp.

The City administers all City oil operations, contract, leases and agreements and directs all subsidence control operations through its Department of Oil Properties. Recent increases in the price of oil have increased the amount of revenues transferred to the Tidelands Operating Fund and the General Fund.

## **Transportation**

Industry, business and residents all benefit from the excellent transportation network available in the City. Water, rail, air and highway facilities are highly developed throughout the City.

The County's 22-mile light rail line opened July 1, 1990, connecting the central business districts of Long Beach and Los Angeles. Ridership on the "Metro Blue Line" averages approximately 66,000 riders per average weekday.

The San Diego Freeway (I-405), the San Gabriel River Freeway (I-605), the Long Beach Freeway (I-710) and the Riverside Freeway (I-91) all traverse the City, as do State Highways 1, 19, 22 and 214. This highway grid places both the City of Los Angeles and Los Angeles International Airport within a 30-minute drive.

The Long Beach Public Transportation Company was incorporated in 1963 as a nonprofit corporation with all capital shares held by the City. Since that time, the company has provided transit service to the City and surrounding areas. The company's operations are locally supported through the Transportation Fund of the City. Interurban bus service is provided by the Long Beach Transit, the Los Angeles County Metropolitan Transportation Authority and the Orange County Regional Transportation District.

Rail transportation to Long Beach is provided by two major transcontinental railroads: the Burlington Northern Santa Fe Railroad Company and the Union Pacific Railroad Company. Reciprocal switching is available between the two lines.

## **Port of Long Beach**

The Port is owned by the City and operated by the Harbor Department, which was created by amendment to the City Charter in 1931. Functioning primarily as a landlord, the Harbor Department leases or assigns most docks, wharves, transit sheds, and terminals to shipping or terminal companies and other private firms for actual operation of these facilities. This Port is one of the most versatile shipping installations in the nation.

The Port covers 11.9 square miles, of which 7.1 square miles is water, and includes all harbor facilities of the City. The Port has 22 miles of waterfront with 65 deep water cargo berths. Container terminals occupy 1,356 acres, auto terminals occupy 182 acres, breakbulk and general cargo occupy 108 acres, dry bulk terminals occupy 100 acres, and petroleum and liquid bulk occupy 52 acres. The Port has seven container terminals with 70 cranes (owned by the Harbor Department and tenants) and three container freight stations. Five container terminals are served by on-dock railyards. Additional cargo

handling facilities include five transit sheds and 12 warehouses. Transit sheds are of concrete and steel construction. Wharves are constructed of reinforced concrete supported by reinforced concrete pilings or sheet pile bulkhead. Wharf aprons at all transit shed berths average 50 feet in width. Rail tracks serve all major marine facilities. In total, the Port owns 82 miles of rail trackage. Current Harbor Department plans envision enlarging and consolidating several of the container terminals due to the demand for larger facilities.

The Port is the first Southern California port to offer dockside rail. Dockside rail helps to move cargo between ships and trains for efficient distribution to markets east of the Rocky Mountains, and removes unnecessary trucks from area freeways.

The Port is self-sufficient. Under the State's Tidelands laws, the Port must earn its revenue from activities related to commerce, navigation, recreation and fisheries, and must spend its money only on the same. The Port receives no tax revenues for its operations or expansions. Although it receives no tax support, the Port generates billions of dollars in revenue for private businesses and government entities, including the City.

In addition to containers, the harbor complex handles crude and refined petroleum products, dry bulk such as coke, and cement; automobiles, lumber, paper and fruit; steel and scrap metal. A free trade zone, Foreign Trade Zone #50, is also operated by the Port.

In 1989, the Port, the Port of Los Angeles (collectively, the "Ports"), the City and the City of Los Angeles formed the Alameda Corridor Joint Powers Authority ("ACTA") to develop and operate a 20-mile long, multiple-track consolidated rail transportation corridor (the "Alameda Corridor") along Alameda Street between the railroad freight yards located in the City of Los Angeles and the Ports in order to efficiently deal with the anticipated increase in volume of international freight, cargo and other goods to and from the Ports. Construction was completed and the Alameda Corridor opened for service in April 2002, at a cost of \$2.4 billion. The Alameda Corridor consolidates 90 miles of existing rail lines (4 rail lines were diverted onto 1 line) into an integrated system separated from nonrail traffic.

### **Long Beach Airport**

The City owns and operates the Long Beach Airport, which has five runways varying from 4,200 to 10,000 feet in length. Pursuant to a court-ordered settlement reached in 1989, the current daily flight limits are 41 commercial jet airline and 25 commuter landings and takeoffs ("slots"). Included in the 41 aircraft slots are five cargo flights, operated by Airborne Express, Fed Ex and United Parcel Service. Commercial airline service is provided by Alaska Airlines, American Airlines, America West Airlines, and JetBlue Airways ("JetBlue").

The Long Beach Airport is JetBlue's west coast hub. JetBlue operates 22 of the 41 commercial slots at Long Beach, with direct service to New York City, Washington, D.C., Boston, Ft. Lauderdale, Salt Lake City, Oakland and Las Vegas.

The movement of aircraft in and out of Long Beach Airport is controlled by the Federal Aviation Administration (the "FAA"). The FAA operates the airport's tower and navigation facilities. Navigation aids at the airport include Medium Intensity Approach Lights, Runway Visual Range, Direction Finding, Instrument Landing System, VHF, UHF and other radio communications equipment.

Long Beach Airport is an important aircraft manufacturing and completion center, proudly hosting two industry giants, The Boeing Company and Gulfstream Aerospace Corporation. Between

these two firms, thousands of jobs help fuel the local economy. Long Beach Airport is landlord to almost 150 other businesses, mainly in the aviation and aerospace industry.

The following table sets forth operations at the Long Beach Airport during fiscal years 2002 through 2006.

**TABLE XIII**  
**Long Beach Airport Traffic**

<b>Fiscal Year</b>	<b>Passengers</b>	<b>Cargo (lbs.)</b>
2006	2,815,015 <sup>1</sup>	102,303,000
2005	3,027,871 <sup>2</sup>	108,470,000
2004	2,941,971 <sup>3</sup>	113,419,000
2003	2,757,251 <sup>4</sup>	115,303,000
2002	1,018,994 <sup>5</sup>	112,335,000

<sup>1</sup> In Fiscal Year 2006, 41 carrier flight slots were allocated: 37 flight slots from four commercial airlines – Alaska, America West, American Airlines and JetBlue; and four flight slots from cargo carriers – Airborne Express, Federal Express and United Parcel Service. In addition, America West operated one commuter flight and Delta/SkyWest operated four commuter flight slots, out of the approved 25 commuter carrier flight slots. American Airlines left the Long Beach Airport on April 2, 2006.

<sup>2</sup> All 41 carrier flights slots were used: 36 flight slots from four commercial airlines – Alaska, America West, American and JetBlue; and five slots from cargo carriers – Airborne Express, Federal Express and United Parcel Service. In addition, America West operated three commuter flights, out of the approved 25 commuter carrier flight slots.

<sup>3</sup> All 41 carrier slots used: 36 flights from four commercial airlines – JetBlue, American, America West and Alaska; and five slots from cargo carriers – Airborne Express, Federal Express and United Parcel Service.

<sup>4</sup> The total number of daily flights from JetBlue, American and America West airlines increased from 32 to 35. Horizon started operation in October 2002 with three commuter flights.

<sup>5</sup> The total number of daily flights from JetBlue, American and Horizon airlines increased from 11 to 32.

Source: City of Long Beach Unaudited Comprehensive Annual Financial Report for Fiscal Year 2006

## **Utilities**

In 1931, a Charter amendment was passed which created the Board of Water Commissioners and authorized the City to join the Metropolitan Water District of Southern California. These decisions sought to ensure an adequate water supply for the City. Water and sewer services are provided by the Long Beach Water Department (the “Water Department”).

There are a number of utilities service providers operating in the City. Local telephone service is provided by Verizon and SBC. Electricity is distributed to the residents, organizations and businesses of Long Beach by Edison International. Electricity can be purchased from a number of electricity providers. Natural gas is provided by the Gas and Oil Department.

In November 2000, the voters of the City approved Measure J to reduce the City’s utility users tax rate by one percentage point per year, from 10% to 5% during a five-year period. The current utility users tax rate is 5% for all utilities.



## Education

The City is served by the Long Beach Unified School District, which provides primary and secondary educational instruction for approximately 93,500 students through the operation of 54 elementary schools, 23 junior high schools, 14 high schools, including one adult school. There are additionally four charter schools. Post-secondary education is available at Long Beach City College, a tax-supported two-year institution administered by the Long Beach Community College District. In addition to the lower division college program, extensive adult education and trade school facilities are offered at Long Beach City College, with a current enrollment that exceeds 26,000 per semester. California State University – Long Beach is located on a 320-acre site in the eastern portion of the City on land donated by the City. Opened in 1949 as Los Angeles-Orange County State College, the institution has been given university status and has a current enrollment of approximately 33,000 per semester. The University's distinguished educational program offers various undergraduate and graduate degree programs. Enrollment in the educational system serving the City and its residents for the past five years is set forth below:

**TABLE XIV**  
**City of Long Beach**  
**Educational Enrollment**

<b>Year</b>	<b>Long Beach Unified School District</b>	<b>Long Beach City College<sup>1</sup></b>	<b>California State University (Long Beach)<sup>1</sup></b>
2006	93,589	26,308	33,344
2005	96,319	25,722	32,756
2004	97,560	28,682	33,363
2003	97,370	32,411	33,745
2002	96,488	29,444	32,693

<sup>1</sup> Average enrollment per semester.

Source: Data furnished by each institution, respectively

The City also serves as the permanent headquarters for the 23-campus California State University and College System. The California University and College System's headquarters are located on a 6.4-acre site in the western portion of the City on land donated by the City. California State University Long Beach continues to be one of the most popular institutions in California. It has built a successful student recruitment program that continues to attract high-achieving students, while maintaining their historical commitment to access.

## Community Facilities

Long Beach has four major community based hospitals and a Veterans Affairs Medical Center. The City operates the Main Library in the downtown Civic Center and eleven other branch libraries throughout the City. Four newspapers, three radio stations and a cable television system are also located in the City.

The City's Parks, Recreation and Marine Department coordinates and maintains municipal and school recreational services, including 25 community centers, 55 sports fields, a mountain camp, 50 park playgrounds, 70 tennis courts and five golf courses. This department also administers the Municipal Band, Leeway Sailing Center, El Dorado Nature Center, Long Beach Museum of Art, Rancho Los Cerritos and Rancho Los Alamitos, the Belmont Veterans Memorial Pier, Rainbow Harbor and Rainbow Lagoon. The City's Parks, Recreation and Marine Department also maintains 100 parks, devoted to open

space and recreation, and six miles of beaches. Additionally, the Department operated three marinas with a combined approximate 3,800 boat slips.

The Department provides free and fee-based recreational programs and leisure opportunities, both self-directed and organized, for people of all ages and cultures. Youth programs include free youth sports for ages 5 to 18 serving early 10,000 participants annually, summer and vacation day camps, 800 recreational and educational classes, sailing and aquatics instruction, teen center activities, skateboarding opportunities, and supervised after-school and weekend activities at parks, schools and mobile recreation sites.

Adult recreation opportunities include sports leagues, tennis and golf facilities and instruction, and more than 2,000 recreational and self-improvement classes annually. Recreation programs and social services for seniors are offered at community centers. Family recreation opportunities include Long Beach Municipal Band concerts, cultural arts programs, environmental programs, citywide and neighborhood special events, boating facilities, as well as general park and beach use.

The Long Beach Convention and Entertainment Center stages productions of the Long Beach Symphony Association, the Long Beach Grand Opera, the Long Beach Symphony Chorus, the Theater Festival and the Community Concert Association.

### **Insurance Coverage**

The City is self-insured for general, automobile and professional liability exposures. The City also self-insures for worker's compensation. As of July 30, 2007 a reserve of \$90,290,000 had been established to cover anticipated claims and judgments. Additionally, the City has in place all-risk property insurance in the amount of \$1 billion and a Public Employee Dishonesty, including Faithful Performance policy, with limits of \$5,000,000 which covers all employees, officers and elected officials.

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## Largest Taxpayers

No single taxpayer accounts for more than 1.07% of the City's total assessed valuation. The largest taxpayer is The Boeing Company, which had an assessed valuation as of September 30, 2006 of approximately \$343 million. The City's top 10 principal taxpayers are presented in the following table:

**TABLE XV**  
**City of Long Beach**  
**Major Taxpayers**  
**as of September 30, 2006**

<b>Taxpayer</b>	<b>Industry</b>	<b>Assessed Valuation (in Thousands)<sup>1</sup></b>	<b>Percentage of Total Net Assessed Valuation<sup>2</sup></b>
1. The Boeing Company	Industry	\$ 342,580	1.07%
2. AES Alamitos LLC	Power Plant	288,300	0.90
3. GREIT One World Trade Center	Office Building	115,921	0.36
4. Camden Realty Inc.	Apartments	98,399	0.31
5. Trizechahn Colony Square GP LLP	Office Building	85,300	0.27
6. 350 Ocean Garage LLC	Commercial	72,169	0.23
7. Coventry Long Beach Plaza LLC	Shopping Center	71,482	0.22
8. 1900 Ocean Partners Holdings LLC	Apartments	70,487	0.22
9. Arco Terminal Services Corp.	Industrial	68,736	0.21
10. Hughes Aircraft Company	Industrial	<u>64,431</u>	<u>0.20</u>
<b>Total</b>		<b><u>\$1,277,805</u></b>	<b><u>3.99%</u></b>

<sup>1</sup> Local secured assessed valuation. Excludes mineral rights, possessory interest and unsecured assessed valuation.

<sup>2</sup> 2005-2006 Local Secured Assessed Valuation: \$31,999,865,740.

Source: City of Long Beach – Comprehensive Annual Financial Report – Fiscal Year 2006 Unaudited, California Municipal Statistics, Inc.

## CITY FINANCIAL INFORMATION

### General

Accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. Operations of each fund are accounted for by providing a separate set of self-balancing accounts, which include its assets, liabilities, reserves, fund balances, revenues and expenditures.

The modified accrual basis of accounting is followed for the General Fund, Special Revenue Accounts, Capital Projects, Expendable Trust and Agency Funds. Under this method, expenditures (other than interest on long-term debt) are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they became measurable and available. The City considers the term "available" to mean collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. The accrual basis of accounting is utilized for all Proprietary and Internal Service Funds.

The City employs the encumbrance method of accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of applicable appropriations. Such commitments are provided for during the annual budget process as carried-over commitments.

### **Budgetary Process**

The City's Charter governs the budget development process and deadlines. Per the Charter, the City Council adopts an annual budget for all funds prior to the start of the new fiscal year, which begins on October 1. Based upon the City Council's priorities and community feedback received during the budget development process, the City Manager submits a proposed budget to the Mayor on or before August 1. In a recent election, the Mayor was granted line-item veto. The Mayor then presents the City Manager's proposed budget with any additional recommendations to the City Council on or before August 15, after which public budget workshops and hearings are conducted with the City Council during which further amendments can be made. If the City Council does not successfully adopt a budget before October 1, the City manager's budget as proposed becomes the budget for the new fiscal year.

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various governmental funds. The City Council may amend the budget by motion during the fiscal year. The City Manager may transfer appropriations within the departments, and within a given fund, without City Council approval; provided that the total appropriation at the fund level and at the department level does not change. Transfers of appropriations between funds or between departments require City Council approval. Appropriations lapse at the end of the fiscal year to the extent they have not been expended or encumbered, however unspent appropriations in all-year funds and subfunds roll over into subsequent fiscal years until they are exhausted.

### **Financial Statements**

The accompanying financial statements were developed from City records. Certain information such as Fund Balances, Revenues, Expenditures and Transfers of Tax Supported Funds and the Tax Supported Fund cash flow analysis were developed by City staff for use in this Official Statement.

Each year the City adopts and maintains a balanced budget in accordance with California law. Certain recurring revenues received by the City and savings accrued as a result of the City's fiscal management are reserved in the General Fund. The City uses certain of its special funds to pay some of its general fund expenditures. The City has not increased general taxes to provide money for general fund expenditures since June 1992.

The following financial statements reflect transactions and balances in the City's General Fund. Table XVI provides a statement of revenues, expenditures and changes in fund balances for the fiscal years ending September 30, 2002 through September 30, 2006. Table XVII reflects the General Fund balance sheet as of September 30, 2002 through September 30, 2006. Table XVIII presents the City's adopted General Fund budgets for 2006 and 2007 and the City's actual General Fund budget for fiscal year 2006. These tables are excerpts from the City's financial statements and may not include all relevant information. A complete review of the City's financial statements attached hereto as "APPENDIX A—CITY OF LONG BEACH GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2006" including the footnotes thereto, is necessary in order to make an informed investment decision.

**TABLE XVI**  
**City of Long Beach**  
**General Fund Revenues and Expenditures**  
**(in Thousands)**

	2006 <sup>1</sup>	2005 <sup>2</sup>	2004	2003	2002
<b>Revenues</b>					
Property Taxes	\$ 61,823	\$ 60,742	\$ 55,677	\$ 53,331	\$ 50,274
Other Taxes	134,309 <sup>3</sup>	126,389 <sup>3</sup>	122,917	127,843	124,529
Licenses and Permits	23,143	18,096	17,161	15,734	15,802
Fines and Forfeitures	16,387	14,738	13,570	11,017	11,448
Use of Money and Property	17,707	15,998	15,416	15,952	17,892
From Other Agencies	38,652	41,616	31,403	43,351	49,952
Charge for Services	26,980	44,621	43,854	42,294	39,321
Other	<u>6,310</u>	<u>5,868</u>	<u>3,182</u>	<u>3,451</u>	<u>3,354</u>
Total Revenue	<u>325,311</u>	<u>328,068</u>	<u>303,180</u>	<u>312,973</u>	<u>312,572</u>
<b>Expenditures</b>					
Current					
Legislative and Legal	12,464	10,037	10,359	9,588	10,985
General Government	14,515	24,603	22,848	24,072	29,771
Public Safety	247,102	249,955	223,891	235,444	228,789
Public health	4,332	4,742	4,749	4,428	4,419
Community and Cultural	43,304	41,091	42,665	42,313	43,700
Public Works	<u>26,406</u>	<u>30,509</u>	<u>30,105</u>	<u>30,710</u>	<u>31,786</u>
Total Current Expenditures	<u>348,123</u>	<u>360,937</u>	<u>334,617</u>	<u>346,555</u>	<u>349,450</u>
Debt Service					
Principal	6,136	5,892	5,575	4,037 <sup>4</sup>	718
Interest	<u>5,374</u>	<u>6,696</u>	<u>6,088</u>	<u>6,443</u>	<u>3,678</u>
Total Expenditures	<u>359,633</u>	<u>373,525</u>	<u>346,280</u>	<u>357,035</u>	<u>353,846</u>
Excess of Revenues Over (Under)	<u>(34,322)</u>	<u>(45,457)</u>	<u>(43,100)</u>	<u>(44,062)</u>	<u>(41,274)</u>
Expenditures					
Other Financing Sources (Uses) Proceeds	2,902	—	15,910	3,643	24,337
From Other Long-Term Obligations					
Payment to Refunded Bond Escrow Agent	—	—	(10,729)	—	—
Advances Change in Principal	1,780	1,757	1,663	2,432	2,602
Operating Transfers In	34,590	38,892	46,865	49,283	27,812
Operating Transfers Out	<u>(7,742)</u>	<u>(6,485)</u>	<u>(10,323)</u>	<u>(16,726)</u>	<u>(17,081)</u>
Total Other Financing Sources (Uses)	<u>31,530</u>	<u>34,164</u>	<u>43,386</u>	<u>38,632</u>	<u>37,670</u>
Excess of Revenues Over (Under)	<u>(2,792)</u>	<u>(11,293)</u>	<u>286</u>	<u>(5,340)</u>	<u>(3,604)</u>
Expenditures and Other Uses					
Fund Balance—October 1	<u>150,229</u>	<u>161,522</u>	<u>161,236</u>	<u>166,666</u>	<u>170,270</u> <sup>5</sup>
Fund Balance—September 30	<u>\$147,437</u> <sup>6</sup>	<u>\$150,229</u>	<u>\$161,522</u>	<u>\$161,236</u>	<u>\$166,666</u>

<sup>1</sup> City's Comprehensive Annual Financial Report Fiscal Year 2006 Statement of Revenues, Expenditures and Changes in Fund Balances.

<sup>2</sup> Data updated to reflect audited Fiscal Year 2005 Comprehensive Annual Financial Report (CAFR) figures.

<sup>3</sup> Includes sales and use tax, utility users tax, other taxes and property tax in lieu of sales and use tax from Proposition 57.

<sup>4</sup> Debt Service increased \$3.3 million in Fiscal Year 2003 mainly due to leases for police helicopters and Emergency Communications and Operations Center (ECOC) equipment.

<sup>5</sup> Beginning fund balance has been restated in Fiscal Year 2002. For details, see note 2, summary of significant accounting policies, governmental funds, in Fiscal Year 2002 Comprehensive Annual Financial Report.

<sup>6</sup> Of the \$147.4 million Fiscal Year 2006 actual ending Fund Balance, \$111.9 million is reserved and \$35.5 million is unreserved.  
Source: City of Long Beach – Comprehensive Annual Financial Report – Fiscal Year 2006 Unaudited

**TABLE XVII**  
**City of Long Beach**  
**General Fund Balance Sheet**  
**(in Thousands)**

	2006	2005 <sup>1</sup>	2004	2003	2002 <sup>2</sup>
<b>Assets</b>					
Pooled Cash and Cash Equivalents	\$ 40,164	\$ 28,670	\$ 33,547	\$ 42,121	\$ 41,659
Cash–Non-Pooled and Cash Equivalents <sup>1</sup>	5,629 <sup>3</sup>	35,385	35,611	43,960	31,602
Investment Interest Receivable	21	20	21	21	21
Property Taxes Receivable	3,452	7,353	7,903	7,949	8,161
Accounts Receivable	24,661	20,260	16,998	14,117	11,303
Allowances for Uncollectible Taxes and Accounts Receivable	(20,437)	(17,080)	(14,554)	(12,214)	(9,307)
Notes and Loans Receivable <sup>1</sup>	2,266	2,370	2,413	2,413	2,413
Due From Other Governments	16,449	15,835	15,854	22,027	19,406
Due From Other Funds	12,155	21,341	20,284	4,269	5,632
Advances to Other Funds	100,924	100,455	100,531	99,868	95,253
Allowances for Advances to Other Funds	–	–	–	–	–
Capital Lease Receivable	–	–	–	–	–
Inventory	–	–	62	61	65
Other Assets	13	6	6	6	–
<b>Total Assets</b>	<b><u>185,297</u></b>	<b><u>214,615</u></b>	<b><u>218,676</u></b>	<b><u>224,598</u></b>	<b><u>206,208</u></b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts Payable	7,329	7,833	6,454	7,404	6,192
Accrued Wages Payable	8,099	7,157	6,943	5,299	4,694
Accrued Interest Payable	–	900	437	826	371
Tax and Revenue Anticipation Notes Payable	–	30,000	30,000	33,000	13,500
Due to Other Funds	3,821	3,346	2,898	1,388	1,182
Advances From Other Funds	8,114 <sup>5</sup>	4,054	–	–	–
Deferred Revenues	7,609	8,054	8,191	12,319	9,672
Deposits and Collections Held in Trust <sup>1</sup>	<u>2,888</u>	<u>3,043</u>	<u>2,231</u>	<u>3,126</u>	<u>3,931</u>
<b>Total Liabilities</b>	<b><u>37,860</u></b>	<b><u>64,387</u></b>	<b><u>57,154</u></b>	<b><u>63,362</u></b>	<b><u>39,542</u></b>
<b>Fund Balances (Reserved For)</b>					
Nonrecurrent Receivables	100,924	100,455	100,531	99,868	95,259 <sup>4</sup>
Asset Seizure Money	2,463	2,762	2,607	2,828	5,396
Encumbrances	1,274	1,714	2,762	1,279	1,858
Future Advances to Other Funds	1,486	1,486	1,486	1,486	1,486
Debt Service	5,812	5,407	5,672	7,074	7,928
Future Capital Projects and Special Programs <sup>1</sup>	–	–	948	3,109	11,177
<b>Total Reserved Fund Balance</b>	<b><u>111,959</u></b>	<b><u>111,824</u></b>	<b><u>114,006</u></b>	<b><u>115,644</u></b>	<b><u>123,104</u></b>
<b>Fund Balances (Unreserved For)</b>					
Emergency Contingency	34,396	34,156	33,756	32,946	32,946
Subsequent Years' Appropriations	6,696	5,802	11,260	10,146	8,116
Undesignated	<u>(5,614) <sup>5</sup></u>	<u>(1,554)</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
<b>Total Unreserved Fund Balance</b>	<b><u>35,478</u></b>	<b><u>38,404</u></b>	<b><u>47,516</u></b>	<b><u>45,592</u></b>	<b><u>43,562</u></b>
<b>Total Fund Balances</b>	<b><u>147,437</u></b>	<b><u>150,228</u></b>	<b><u>161,522</u></b>	<b><u>161,236</u></b>	<b><u>166,666</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$185,297</u></b>	<b><u>\$214,615</u></b>	<b><u>\$218,676</u></b>	<b><u>\$224,598</u></b>	<b><u>\$206,208</u></b>

<sup>1</sup> Data updated to reflect audited Fiscal Year 2005 Comprehensive Annual Financial Report (CAFR) figures.

<sup>2</sup> Line items modified in final Fiscal Year 2002 Comprehensive Annual Financial Report: Cash equivalents, notes receivable, deposits and special programs added in Fiscal Year 2002.

<sup>3</sup> Decrease in Fiscal Year 2006 is due to Tax and Revenue Anticipation Note not being issued.

<sup>4</sup> The fund balance increase for "reserved for other non-current receivables," represents reserve fund balance not available for current obligations since the debt has no specified repayment date.

<sup>5</sup> Undesignated funds of (\$5.6 million) represent the net of an annual \$2.5 million reserve, a \$8.1 million related to a long-term advance from the Subsidence Fund to be repaid over 20 years.

Source: City of Long Beach – Comprehensive Annual Financial Report –Fiscal Year 2006

**TABLE XVIII**  
**City of Long Beach**  
**Adopted General Fund Budgets for**  
**Fiscal Years 2006 and 2007 and Actual General Fund Budget for Fiscal Year 2006**  
**(in Thousands)**

<b>Fiscal Year</b>	<b>Adopted 06-07<sup>1</sup></b>	<b>Actual 05-06<sup>2</sup></b>	<b>Adopted 05-06<sup>3</sup></b>
<b>REVENUES</b>			
Property Taxes	\$ 72,943	\$ 61,823	\$ 63,528
Other Taxes <sup>4</sup>	147,492	134,309	135,218
Licenses and Permits	13,154	23,143	20,363
Fines and Forfeitures	16,650	16,387	14,391
Use of Money and Property	20,068	17,707	22,006
From Other Agencies	44,316	38,652	30,860
Charge for Services	23,364	26,980	25,481
Other	<u>13,623</u>	<u>6,310</u>	<u>13,128</u>
Total Revenue	<u>\$351,610</u>	<u>\$325,311</u>	<u>\$324,975</u>
<b>EXPENDITURES</b>			
<i>Current</i>			
Legislative and Legal	12,552	12,582	13,406
General Government	6,913	14,838	9,745
Public Safety	248,677	247,321	249,368
Public Health	4,902	4,360	4,367
Community & Cultural	47,161	43,778	44,760
Public Works	<u>31,882</u>	<u>26,516</u>	<u>33,918</u>
Total Current Expenditures	<u>\$352,087</u>	<u>\$349,395</u>	<u>\$355,564</u>
<i>Debt Service</i>			
Principal	6,311	6,136	6,217
Interest	<u>7,274</u>	<u>5,374</u>	<u>6,184</u>
Total Expenditures	<u>\$365,672</u>	<u>\$360,905</u>	<u>\$367,965</u>
Excess of Revenues Over (Under) Expenditures	(14,062)	(35,596)	(42,990)
Other Financing Sources (Uses) Proceeds from Other Long-term Obligations	—	2,902	2,902
Advances Capitalized Interest	—	1,780	—
Operating Transfers In	25,796	34,590	35,571
Operating Transfers Out	<u>(13,006)</u>	<u>(7,742)</u>	<u>(955)</u>
Total Other Financing Sources (Uses)	<u>\$ 12,790</u>	<u>\$ 31,530</u>	<u>\$ 37,518</u>
Excess of Revenues Over (Under) Expenditures and Financing Sources (Uses)	(1,272)	(4,066)	(5,472)
Beginning Fund Balance—October 1	147,440	148,515	148,515
Encumbrance, Beginning of the Year	1,274	1,714	1,714
Residual Equity Transfers	—	—	—
Ending Fund Balance—September 30	<u>\$147,442</u>	<u>\$146,163</u>	<u>\$144,757</u>



<sup>1</sup> Budget classification do not reflect reclassifications done for comprehensive annual financial report preparation.

<sup>2</sup> Actual based on General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual figures (Non-GAAP budgetary basis).

<sup>3</sup> These figures are the final adopted Fiscal Year 2006 Budget, which includes budget adjustments and reclassification. The beginning fund balance shown on a budgetary basis.

<sup>4</sup> Includes sales and use tax, utility users tax, other taxes and property tax in lieu of sales and use tax from Proposition 57. Note that property tax in lieu of sales and use tax is categorized in the Fiscal Year 2007 Adopted Budget as revenues From Other Agencies.

Source: City of Long Beach – Comprehensive Annual Financial Report –Fiscal Year 2006

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## **Pension Plans and Post-Retirement Health Care Benefits**

### ***CalPERS.***

**General.** *The following information concerning CalPERS is excerpted from publicly available sources, which the City believes to be accurate. CalPERS is not obligated in any manner for payment of debt service on the Notes, and the assets of CalPERS are not available for such payment. CalPERS should be contacted directly at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, California 95814, Telephone: 888-225-7377 for other information, including information relating to its financial position and investments.*

The City contracts with the California Employee's Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, including annual cost-of-living adjustments ("COLA"), and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. Benefit provisions and all other requirements are established by State statute and City ordinance. Since CalPERS is on a fiscal year ending June 30, all actuarial calculations for the City's retirement plan are made on a fiscal year ending June 30, which differs from the City's September 30 fiscal year end.

Under the terms of the contract between CalPERS and the City, all full-time employees are eligible to participate in CalPERS and become vested in the system after five years of service. The City has a multiple tier retirement plan with benefits varying by plan. Vested first and second tier safety employees who retire at age 50 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 3% of the employee's highest paid year of employment for each year of credited service. Vested first and second tier non-safety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.7% of their highest paid year of employment for each year of credited service for the first tier, and for the second tier effected in fiscal year 2004. The City created tier III for non-safety employees hired after October 1, 2006. Vested tier III non-safety employees who retire at age 55 are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of their highest paid year of employment for each year of credited service.

The City amended its safety and miscellaneous retirement plans to create second tiers in fiscal year 1990 and a third tier for miscellaneous employees in fiscal year 1996. During fiscal year 2002 the third tier was eliminated and plan participants were absorbed into the second tier. A third tier was set up effective for fiscal year 2007. Retirees under the first tier are eligible to receive a maximum annual 5% cost-of-living increase in their retirement benefit, while those under the second and third tier are eligible to receive a maximum annual 2% cost-of-living increase.

**Funding Policy.** In November 1998, the City was informed by CalPERS that all of its retirement plans were overfunded based on the actuarial valuation completed as of June 30, 1997. Accordingly, the City's employer contribution rates were reduced by CalPERS to zero for all plans effective November 13, 1998. Participants were required to contribute 7% of their earnings for all miscellaneous and 9% for all police, fire and lifeguard employees. The City continued to make these employee contributions as required by CalPERS law through July 2, 1999 at which time it was informed by CalPERS that no further contributions were required. The City was overfunded through September 30, 2004 and was not required to pay CalPERS any employee or employer contributions for any of its plans through fiscal year 2004.

Contribution requirements of plan members and the City are established and may be amended by CalPERS. The City contribution payments to CalPERS for fiscal year 2006 for both Safety and

Miscellaneous Plans was 15.100% and 11.325% respectively. The employee rate for Safety is 9%, miscellaneous tier one and two employee rate is 8% and miscellaneous tier three effective in fiscal year 2007 is 7%. Safety employees pay CalPERS 1% of the 9% employee rate and the City pays 8%. Miscellaneous employees paid 2% of the 8% to CalPERS and the City pays 6%. Management employees and certain employee groups who serve in sensitive, confidential capacities pay 1% of the 8% to CalPERS and the City pays 7%. Effective in fiscal year 2007 Safety will pay 2% of the 9% employee rate and all miscellaneous employees in tier one and two will pay 2% of the 8%. Miscellaneous employees in tier three will pay 2% of the 7% employee rate.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. In the event that a plan's accrued liability exceeds the actuarial value of plan assets, the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

**Public Agency Retirement System-Defined Benefit Plan.** In November 1994, the City established Public Agency Retirement System (PARS) Defined Benefit Plans for Special Status Contractors and Seasonal and Temporary Employees (collectively, the "Public Agency Plans"). During fiscal year 2003, the plans were reported under a combined plan ("The Public Agency Plan"). The Public Agency Plan is a defined benefit, single employer retirement plan. The Public Agency Plan, which took effect on January 1, 1995, is administered for the City through a third party administrator. The Public Agency Plan provides for retirement as well as death and disability benefits to eligible individuals and their beneficiaries.

The Public Agency Plan benefit is a lifetime monthly annuity equal to 1.50% times the final average of the participant's highest 36 consecutive months' salary times the years of service. The Public Agency Plan requires participant contributions of 6.2% of earnings for Contractors Special Status and 3.0% of earnings for Seasonal and Temporary Employees. All employees enter the Public Agency Plan upon hire, and all benefits are vested after five years of service for Contractors Special Status or immediately for Seasonal and Temporary Employees, and employees are always vested in their employee contributions.. It is assumed that upon termination, employees will choose to receive an actuarially equivalent lump sum (based on the actuarial assumptions described below).

The City's funding policy is to make the contribution as determined by the Public Agency Plan 's actuary as of September 30, 2006. The following information describes the calculation methodology:

(a) The Public Agency Plan's annual pension cost (APC) for the fiscal year ended September 30, 2006 is based on the period from October 1, 2005 to September 30, 2006. The APC for this period was \$30,179, the same amount contributed for this period.

(b) The actuarial liabilities and assets are valued as of September 30, 2006.

(c) The actuarial funding method used is the projected-unit-credit-method. Under this method the contribution rate is the sum of the normal cost rate plus the unfunded actuarial liability rate. The normal cost is defined as the actuarial present value of benefits allocated to the valuation year and the actuarial accrued liability is the present value of benefits allocated to all periods prior to the valuation year. The normal cost rate is determined by dividing the normal cost by expected covered payroll.

In determining the Public Agency Plan's actuarial accrued liability, the projected benefit of each participant must be allocated between the past year and future years. This allocation is made by multiplying the projected benefit by a fraction, the numerator of which is the participant's total credited years of service on the valuation date, and the denominator is the participant's total credited years of service at anticipated benefit commencement.

The unfunded actuarial liability is the difference between the actuarial accrued liability and plan assets. This difference is amortized as a level dollar amount (over a seven year period in the 2005 actuarial valuation used to determine fiscal year 2006 Annual Pension Cost) to determine the unfunded actuarial liability rate.

The interest rate was changed for the 2006 valuation from 6.0% to 4.5%. The net impact of this assumption change increased the actuarial accrued liability by approximately \$73,000.

**Post-Retirement Health Care Benefits.** Full-time City employees are entitled to receive up to 96 hours of sick leave per year. Unused sick leave may be accumulated until termination or retirement. No sick leave benefits are vested; however, under the provisions of the City's Personnel Ordinance, upon retirement, the City allows retirees, their spouses and eligible dependents to use the cash value at retirement of the retiring employee's accumulated unused sick leave to pay for health, dental and long-term care insurance premiums under the City's Retired Employees Health Insurance Program. Once the cash value of the retired employee's unused sick leave is exhausted, the retiree is required to pay all premiums. The City provided a one-time early retirement incentive of a maximum of \$25,000 for employees who retired during calendar year 1996. The amount of the incentive was based on age, and was credited to accumulated sick leave to be used towards health insurance costs during retirement. In fiscal year 2004, management was offered a 16 hour increase in sick leave per year of service for retirement by June 30, 2004.

At September 30, 2006, there were 769 participants in the City's Retired Employees Health Insurance Program, and the non-interest bearing cash value equivalent of the remaining unused sick leave for the current retirees totaled \$20,079,000. Total premiums paid by the City under the Retired Employees Health Insurance Program during the twelve months ended September 30, 2006, were \$5,527,000, and are included in the expenses of the Employee Benefits Internal Service Fund.

The City has recorded a liability in the Employee Benefits Internal Service Fund of \$70,556,000, based on an actuarial study of current and future retiree accumulated sick leave as of September 30, 2005 and updated as of September 30, 2006. The liability takes into account an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees, and an additional amount relating to the sick leave incentive for employees who retired during calendar year 1996. The actuarial study assumes an investment return of 5.0%; wage increases of 3.5% per year for miscellaneous and 4.5% per year for safety employees, and insurance premium increases of 4.5%. The estimated current portion of such obligation of \$6,200,000, recorded in current accrued wages and benefits, has been fully funded; the long-term portion of the liability of \$64,356,000 is being funded, over time, through burden rates charged to the various City funds, applied as a percent of current productive salaries.

### **Employer/Employee Relations**

The City recognizes various certified employee organizations, the principal ones being the International Association of Machinists ("IAM"), Police Officers Association ("POA") and Fire Fighters Association ("FFA"), which collectively represent over 95% of all City employees in a variety of classifications. City nonmanagement employees are covered by negotiated agreements.

The contract with the IAM and the FFA expired on October 1, 2004 and June 30, 2004, respectively. The City and the IAM and the FFA are currently negotiating new contracts. Until new contracts are entered into, the City, the IAM and the FFA will continue to be subject to the terms of the respective expired contracts.

The POA is covered by an existing contract scheduled to expire on September 30, 2009. The City has not experienced a major work stoppage by City employees in the past five years.

### **Insurance Coverage**

The City has adopted separate self-insurance programs for workers' compensation and general liability claims. As of September 30, 2006, the City accrued non-discounted estimates of \$104,790,000 for workers' compensation and general liability claims. This represents estimates of amounts to be paid for actual, and incurred but not reported claims based upon past experience, modified for current trends and developments. The City does not have any outstanding annuities. The City has recorded a current liability of \$19,010,000 and a long-term liability of \$85,780,000 in the Insurance Internal Service Fund.

The ultimate amount of losses incurred through September 30, 2006 is dependent on future developments. Based upon information from the City Attorney, outside counsel and others involved with the administration of the programs, the City's management believes that the aggregate accrual adequately represents such losses.

### **Bonded Indebtedness**

As of June 30, 2007 the City had outstanding revenue bonds (not payable from the City general fund) in the amount of \$1.049.2 billion, outstanding lease revenue bonds (payable from the City general fund) in the amount of \$429.06 million, outstanding redevelopment revenue bonds or tax allocation revenue bonds (not payable from the City general fund) in the amount of \$345.98 million, outstanding certificates of participation (a portion of which is payable from the City general fund) in the amount of \$9.2 million and outstanding pension obligation bonds (payable from the City general fund) in the outstanding amount of \$89.47 million. In addition to the outstanding revenue bonds (not payable from the City general fund) described in the previous sentence, the City has established commercial paper programs (not payable from the City general fund) for: (a) the Harbor Department in the aggregate principal amount of \$383,500,000 (\$60,150,000 aggregate principal amount of which was outstanding as of June 30, 2007); (b) the Water Department in the aggregate principal amount of \$15,000,000 (\$6,000,000 aggregate principal amount of which was outstanding as of June 30, 2007); (c) the Long Beach Airport in the aggregate principal amount of \$15,000,000 (\$1,020,000 aggregate principal amount of which was outstanding as of June 30, 2007); and the Gas and Oil Department in the aggregate principal amount of \$35,000,000 (\$15,255,000 aggregate principal amount of which was outstanding as of June 30, 2007). The City has no outstanding general obligation debt and has never defaulted on any principal or interest payments associated with any of its debt obligations. The City's currently outstanding indebtedness is set forth below:

**Summary of the City and Related Agencies  
Outstanding Debt  
(as of June 30, 2007)**

**Revenue Bonds**

<b>Issue Name</b>	<b>Final Maturity</b>	<b>Original Par Amount</b>	<b>Amount Outstanding</b>
Series 2005A Long Beach Bond Finance Authority (LBBFA) Limited Obligation Refunding Revenue Bonds	2015	\$ 2,100,000	\$ 1,500,000
Series 2005A & B Harbor Revenue Refunding Bonds	2025	257,975,000	243,515,000
Series 2005 Gas Utility Bonds <sup>1</sup>	2013	7,675,000	6,500,000
Series 2004A Taxable Variable Rate Demand Revenue Bonds (Towne Center)	2030	11,595,000	11,130,000
Series 2004A & B Harbor Revenue Refunding Bonds <sup>2</sup>	2018	113,410,000	94,900,000
Series 2002A & B Harbor Revenue Bonds	2027	300,000,000	267,115,000
Series 2000A Harbor Revenue Bonds	2025	275,000,000	240,415,000
Series 1998A Harbor Revenue Refunding Bonds	2019	206,330,000	147,535,000
Series 1997A Water Revenue Refunding Bonds	2024	46,945,000	33,465,000
Series 1995 Marina Refunding Revenue Bonds	2008	31,725,000	3,165,000
Series 1994 Marina Subordinate Revenue Bonds <sup>3</sup>	2009	1,310,000	255,000
Series 1993 Belmont Shore Parking Meter Revenue Bonds <sup>3</sup>	2012	1,680,000	870,000

<sup>1</sup> Issued as part of Long Beach Bond Finance Authority Revenue Bonds (Redevelopment, Housing and Gas Utility Financings) 2005 Series A.

<sup>2</sup> Defeased the Series 1993 Harbor Revenue Bonds Aggregate principal of \$127,470,000.

<sup>3</sup> City holds bonds. Belmont Shore Revenue Bonds restructured in 2001.

Source: City of Long Beach – Comprehensive Annual Financial Report – Fiscal Year 2006 Unaudited

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### Lease Revenue Bonds

Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Long Beach Bond Finance Authority, Lease Revenue Bonds, 2006 Series B (Parks/Open Space Financing Project)	2026	\$ 24,320,000	\$ 24,320,000
Series 2006A Long Beach Bond Finance Authority ("LBBFA") Lease Revenue Refunding Bonds (Rainbow Harbor Refinancing Project) <sup>1</sup>	2024	50,785,000	48,715,000
Series 2005A LBBFA Lease Revenue Bonds (Temple & Willow Facility Refinancing Project)	2028	8,145,000	7,615,000
Series 2003A (non AMT) & B (AMT) Southeast Resource Recovery Facility Authority Lease Revenue Bonds	2018	120,235,000	101,155,000
Series 2003 LBFFA Lease Revenue Bonds (Skylinks Golf Course Project)	2029	6,890,000	6,065,000
Series 2002 LBBFA Lease Revenue Bonds (Public Safety Facilities)	2031	40,915,000	39,270,000
Series 2001 LBBFA Lease Revenue Bonds (Plaza Parking Facilities) <sup>2</sup>	2027	11,500,000	10,460,000
Series 2001 LBBFA Lease Revenue Refunding Bonds (Aquarium of the Pacific Project)	2030	129,520,000	126,795,000
Series 1999 LBBFA Variable Rate Demand Lease Revenue Bonds (Long Beach Museum of Art)	2009	3,060,000	3,060,000
Series 1998B LBBFA Lease Revenue and Refunding Bonds (Temple & Willow)	2027	29,565,000	25,215,000
Series 1997A LBBFA Lease Revenue Refunding Bonds (Civic Center Project)	2027	43,655,000	36,385,000

<sup>1</sup> Series 2005 LBBFA Lease Revenue Refunding Bonds (Rainbow Harbor) issued April 2006 refunded the Series 1999A LBBFA Revenue Bonds (Rainbow Harbor) and the 1997 Queensway Parking Facility Bonds.

<sup>2</sup> Series 2001 LBBFA Lease Revenue Bonds (Plaza Parking Facilities) defeased a portion (\$8,755,000 original par) of the Series 1992 Tax Allocation Revenue Bonds (West Long Beach Industrial and Downtown Project).

Source: City of Long Beach – Comprehensive Annual Financial Report – Fiscal Year 2006 Unaudited

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#### Tax Allocation Revenue Bonds

Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 2005C LBBFA Tax Allocation Revenue Bonds (Downtown and North Long Beach Redevelopment Project Areas) <sup>1</sup>	2031	\$ 35,045,000	\$ 35,025,000
Series 2005A and B LBBFA Revenue Bonds (Redevelopment, Housing and Gas Utility Financings) (Central Redevelopment, Los Altos Redevelopment, North Long Beach Redevelopment Poly High Redevelopment and West Beach Redevelopment Project Areas and Housing Projects)	2040	184,757,306	184,757,306
Series 2002A LBBFA Tax Allocation Revenue Bonds (Downtown Redevelopment; North Long Beach Redevelopment; Poly High Redevelopment and West Beach Redevelopment Project Areas)	2024	77,715,000	24,280,000
Series 2002B LBBFA Tax Allocation Revenue Bonds (Downtown Redevelopment and West Long Beach Industrial Redevelopment Project Areas) <sup>2</sup>	2024	47,780,000	42,160,000
Series 1992 Tax Allocation Revenue Refunding Bonds (West Long Beach Industrial and Downtown Project)	2017	117,490,000	49,460,000

<sup>1</sup> Series 2005C LBBFA Tax Allocation Revenue Bonds issued February 2006 partially defeased the Series 2002 Long Beach Bond Finance Authority Tax Allocation Revenue Bonds.

<sup>2</sup> Series 2002B LBBFA Tax Allocation Revenue Bonds issued December 2002 partially defeased the Series 1992 West Long Beach Allocation Revenue Bonds and the Series 1992A Downtown Project Refunding Bonds. Maturity date revised at partial defeasement of 1992 bonds by the Series 2002B LBBFA Tax Allocation Revenue Bonds.

Source: City of Long Beach – Comprehensive Annual Financial Report – Fiscal Year 2006 Unaudited

#### Pension Obligation Bonds

Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 2002A & B Pension Obligation Refunding Taxable Bonds <sup>1</sup>	2021	\$ 87,950,000	\$73,250,000
Series 1995 Pension Obligation Refunding Bonds	2011	108,635,000	16,215,000

<sup>1</sup> Series 2002A&B Pension Obligation Refunding Taxable Bonds partially defeased Series 1995 Pension Obligation Refunding Bonds in September 2002. The remaining issue amount after partial defeasement of the Series 1995 Pension Obligation Bonds was \$23,920,000. Series 2002A&B Pension Obligation Bonds were remarketed on December 30, 2005 to a fixed rate from auction rate.

Source: City of Long Beach – Comprehensive Annual Financial Report – Fiscal Year 2006 Unaudited

#### Certificates of Participation

Issue Name	Final Maturity	Original Par Amount	Amount Outstanding
Series 1993 Airport	2016	16,815,000	\$9,175,000

Source: City of Long Beach – Comprehensive Annual Financial Report – Fiscal Year 2006 Unaudited



A schedule of the City's direct and overlapping debt as of August 15, 2007, is below:

<b>City of Long Beach</b>		
2006-2007 Assessed Valuation	\$38,915,969,024	
Redevelopment Incremental Valuation	<u>(8,266,535,160)</u>	
Adjusted Assessed Valuation	<u>\$30,649,433,864</u>	
	<b>% Applicable</b>	<b>Debt 6/30/07</b>
<b>OVERLAPPING TAX AND ASSESSMENT DEBT</b>		
Los Angeles County Flood Control District	3.782%	\$ 4,294,839
Metropolitan Water District	1.888	6,780,091
Long Beach Community College District	88.068	84,162,094
Other Community College Districts	Various	1,441,098
Long Beach unified School District	88.072	217,639,123
Los Angeles Unified School District	0.055	3,577,684
Paramount Unified School District	7.641	2,516,562
Other Unified School Districts	Various	856,165
City of Long Beach Community Facilities Districts	100.00	67,460,000
City of Long Beach 1915 Act Bonds	100.00	6,482,470
Los Angeles County Regional Park and Open Space Assessment District	3.778	<u>11,493,998</u>
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT<sup>1</sup></b>		<b><u>\$406,704,124</u></b>
<b>DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		
Los Angeles County General Fund Obligations	3.778%	\$ 40,985,707
Los Angeles County Pension Obligations	3.778	20,659,961
Los Angeles County Superintendent of Schools Certificates of Participation	3.778	748,696
Los Angeles County Sanitation District No. 3 Authority	84.149	25,399,894
Los Angeles County Sanitation District No. 19 Authority	37.905	2,712,147
Other Los Angeles County Sanitation Authorities	Various	650,231
Long Beach Community College District Certificates of Participation	88.068	29,833,035
Compton Unified School District Certificates of Participation	0.024	12,998
Long Beach Unified School District Certificates of Participation	88.072	48,215,016
Los Angeles Unified School District Certificates of Participation	0.055	217,660
Paramount Unified School District Certificates of Participation	7.641	2,239,577
<b>City of Long Beach General Fund Obligations</b>	<b>100.00</b>	<b>302,400,000<sup>1</sup></b>
<b>City of Long Beach Pension Obligations</b>	<b>100.00</b>	<b><u>91,865,000</u></b>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ <u>565,939,922</u></b>
Less: Los Angeles Unified School District self-supporting Qualified Zone Academic Bonds		6,794
<b>City of Long Beach self-supporting obligations</b>		<b><u>101,155,000</u></b>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$ <u>464,778,128</u></b>
<b>GROSS COMBINED TOTAL DEBT<sup>2</sup></b>		<b>\$ <u>972,644,046<sup>2</sup></u></b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$ <u>871,482,252</u></b>

<sup>1</sup> Excludes issues to be sold.

<sup>2</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2006-2007 Assessed Valuation

Total Overlapping Tax and Assessment Debt..... 1.05%

Ratios to Adjusted Assessed Valuation

**Gross Combined Direct Debt (\$394,265,000) ..... 1.29%**

**Net Combined Direct Debt (\$293,110,000) ..... 0.96%**

**Gross Combined Total Debt ..... 3.17%**

**Net Combined Total Debt ..... 2.84%**

STATE SCHOOL BUILDING AID REPAYABLE AS OF JUNE 30, 2007: \$325

Source: California Municipal Statistics, Inc.

## Assessed Valuation

The City uses the facilities of the County for tax assessment and collection. City taxes are assessed and collected at the same times and on the same tax rolls as County, school and special district taxes.

Under California law, two additional types of exemptions were authorized beginning in the tax year 1969-70. The first of these exempts 50% of the assessed valuation of business inventories from taxation. The second provides an exemption of \$7,000 of the assessed valuation of an owner-occupied dwelling from which application has been made to the County Assessor. Under a recently enacted constitutional amendment, the California Legislature can raise this exemption. Revenue estimated to be lost to local taxing agencies due to such exemption is reimbursed from State sources. The reimbursement is based upon total taxes due upon these exempt values and therefore is not reduced by any amounts for estimated delinquencies.

Summarized below is the assessed valuation and tax collection record of the City for the most recent five-year period:

**TABLE XIX**  
**City of Long Beach**  
**Assessed Valuations and Tax Collection Record**  
**Fiscal Years 2002-2006**  
**(in Thousands)**

<b>Fiscal Year<sup>1</sup></b>	<b>Estimated Full Market Valuation</b>	<b>Valuation For Revenue Purposes</b>	<b>Total City Tax Levy</b>	<b>Total Current Tax Levy Collections</b>	<b>Percent of Levy Collected</b>
2006	\$35,519,905	\$34,603,448	\$139,172	\$130,147	93.5%
2005	32,069,712	31,391,249	116,299	113,610	97.7
2004	29,613,229	28,830,023	100,538	99,745	99.2
2003 <sup>2</sup>	26,454,417	25,731,996	83,222	85,699	103.0
2002	24,989,933	24,381,507	77,731	77,587	99.8

<sup>1</sup> Based on the County's Fiscal Year ending June 30.

<sup>2</sup> Fiscal Year 2003 total current tax levy collections includes approximately \$2.87 million in unsecured redevelopment tax increments receipts as a result of a secured parcel audit for the entire city and its redevelopment areas for Fiscal Year 1998 through Fiscal Year 2002. The audit corrected misallocated tax rate areas.

Source: City of Long Beach – Comprehensive Annual Financial Report – Fiscal Year 2006 Unaudited

See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS.”

## Tax Rates

Historically, properties in the County have been subject to taxation at varying rates by 80 municipalities, including the City and numerous special purpose districts. Each entity would set its budget expenses and then determine, subject to certain legal limitations, the property tax rate to be levied in order to raise sufficient funds. In 1979, the Constitution of the State of California was amended by Article XIII A (“Proposition 13”) which provides that the maximum ad valorem tax on real property cannot exceed 1% of the “full cash value” of the real property as shown on the 1975-76 tax bill or the appraisal value of real property when purchased or newly constructed after the 1975 assessment. The “full cash value” may also be annually adjusted to reflect inflation at a rate not to exceed 2% per year, a

reduction in the consumer price index or comparable local data, or decreases in property value caused by damage, destruction or other factors. Proposition 13 prohibits the levying of any other ad valorem property taxes except for property taxes required to pay debt service for voter-approved general obligation bonds.

Prior to the adoption of Proposition 13, real property was assessed at 25% of market value, and the tax rate was \$4 per \$100 of assessed value. Beginning in 1982, assessed valuation is calculated at 100% of market value, which reduces the tax rate to \$1 per \$100 of assessed value.

On November 7, 2000, the voters of the City approved Measure J, which provided for a reduction in the tax rate imposed upon users of electricity, gas, telephone and water services within the City. Measure J requires the utility users tax on changes made for such services to be reduced by 50% (10% each year for five years, commencing October 1, 2000). Proceeds from the utility users tax are considered a general fund revenue and are used to provide basic City services, such as police, fire and paramedic. No assurance can be given that the voters of the City will not, in the future, approve additional initiatives which reduce or repeal local taxes, assessments, fees or changes that currently are deposited in the City's General Fund.

The following chart summarizes all property tax rates for all overlapping governments per \$100 of assessed real property value within the City for the last five fiscal years:

**TABLE XX**  
**City of Long Beach**  
**Property Tax Rates**  
**All Overlapping Governments**  
**Per \$100 of Assessed Value**  
**Fiscal Years 2002-2006**

<b>Fiscal Year<sup>1</sup></b>	<b>City Direct Rate</b>	<b>Los Angeles County</b>	<b>Unified Schools</b>	<b>Community Colleges</b>	<b>Special Districts</b>	<b>Total</b>
2006	\$1.000000	\$0.000795	\$0.040750	\$0.018569	\$0.005249	\$1.065363
2005 <sup>2</sup>	1.000000	0.000923	0.046671	0.012394	0.006045	1.066033
2004	1.000000	0.000992	0.042849	0.011705	0.006562	1.062108
2003 <sup>2</sup>	1.000000	0.001000	0.035190	—	0.042800	1.078990
2002	1.000000	0.001128	0.028784	—	0.008773	1.038685

<sup>1</sup> Based on Los Angeles County's Fiscal Year Ending June 30.

<sup>2</sup> Restated prior year.

Source: City of Long Beach

Beginning in fiscal year 1975, redevelopment tax increments were allocated to the City of Long Beach Redevelopment Agency. These redevelopment tax increments are computed on the basis of the redevelopment property increment values multiplied by the total tax rate for the fiscal year. Redevelopment property increment values represent the difference between the base value of properties designated for redevelopment and their market value.

### **Tax Receipts**

Taxes received by the City include Property Taxes, Utility Users Taxes, Sales and Use Taxes, Transient Occupancy Taxes, Business License Taxes, and an Oil Production Tax. Of such taxes, Property

Taxes, Utility Users Taxes and Sales and Use Taxes constitute the major sources of tax revenues. None of the general taxes currently imposed by the City are affected by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 218."

The following table sets forth tax revenues received by the City, by source:

**TABLE XXI**  
**City of Long Beach**  
**Tax Revenues by Source**  
**For Fiscal Years 2002-2006**  
**(in Thousands)**

	2006	2005 <sup>1</sup>	2004	2003	2002
Property Tax <sup>2</sup>	\$141,081	\$124,463	\$107,825	\$ 87,264 <sup>3</sup>	\$ 80,621
Utility Users Tax <sup>4</sup>	40,637	39,216	45,339	50,883	55,838
Sales & Use Tax	51,557 <sup>5</sup>	48,216 <sup>5</sup>	42,383	44,863	41,246
Transient Occupancy Tax	16,548	15,527	14,089	13,134	12,447
Business License Tax	10,345	9,879	9,284	8,430	8,067
Franchises	18,501	16,670	14,460	13,363	9,976
Oil Production Tax	2,245	2,335	2,306	2,245	2,257
Other <sup>6</sup>	<u>10,652</u>	<u>6,826</u>	<u>6,478</u>	<u>5,670</u>	<u>5,516</u>
Total <sup>7</sup>	<u>\$291,567</u>	<u>\$263,132</u>	<u>\$242,164</u>	<u>\$225,852</u>	<u>\$215,968</u>

<sup>1</sup> Data updated to reflect audited Fiscal Year 2005 Comprehensive Annual Financial Report (CAFR) figures.

<sup>2</sup> Includes delinquent tax collections and supplemental or redemption revenue.

<sup>3</sup> Includes parcel audit results of misallocated tax rate areas.

<sup>4</sup> Utility users tax revenue decrease is due to measure J – A voter initiative that lowered this tax from 10% to 5%. The reduction took place over 5 years starting in Fiscal Year 2001 and reduced the rate 1% a year until Fiscal Year 2005 when the rate went to 5% and remains. The Fiscal Year 2002, Fiscal Year 2003, Fiscal Year 2004 and Fiscal Year 2005 figures are net of refunds and adjustments.

<sup>5</sup> Includes property tax in lieu of sales and use tax as provided in Proposition 57.

<sup>6</sup> Includes real property transfer, special parking, miscellaneous taxes and transfers in lieu of taxes.

<sup>7</sup> Tax revenues by source include all governmental fund types (general, special revenue, and capital projects funds), including property tax and transient occupancy tax, also referred to as hotel tax, for the Long Beach Redevelopment Agency, in accordance with generally accepted accounting principles. The Long Beach Housing Authority had no tax revenues in Fiscal Year 2001 through Fiscal Year 2006.

Source: City of Long Beach – Comprehensive Annual Financial Report – Fiscal Year 2006

## Investment of City Funds

The City maintains an Investment Policy, which, pursuant to the provisions of Section 53646 of the California Government Code, is annually submitted to and reviewed by the Investment Committee of the City and approved by the City Council. Quarterly reports, which summarize the investment activity and portfolio balances, are also provided to the City Manager, the City Auditor and the City Council. In addition, the Investment Committee, comprised of the City Manager, the City Auditor, the City Attorney, the Director of Financial Management, the City Treasurer, the City Controller, the Budget Manager and the Chief Financial Officers of the Harbor and Water Departments, meets quarterly, or as needed, to review investment policies and strategies and to make recommendations consistent with approved investment policies.

The goal of the Investment Policy is to invest public funds in a prudent manner, maintaining maximum security, meeting the daily cash flow demand of the City and conforming to all State and local statutes governing the investment of public funds. The objectives of the Investment Policy are, in the following order of priority:

FIRST, *Safety of Principal*, through management of both credit risk and market risk as well as the application of the “Prudent Investor Rule.” Credit risk is to be mitigated through prudent investment choices and portfolio diversification. Market risk is to be mitigated by limiting the weighted average maturity of the City’s portfolio to a maximum of three years.

SECOND, *Return on Investment*, to attain market average rates of return through economic cycles. The investment strategy is to seek above market average rates of return consistent with the risk limitations and prudent investment principles of the City’s Investment Policy. The City has established two benchmark measures for the pool funds portfolio: the 91-day U.S. Treasury Bill rate for the short-term portfolio and the Merrill Lynch one-to three-year Government/Corporate Index for the long-term portfolio.

The City’s investment alternatives are specified in California Government Code Sections 53600 et seq. Within this framework, the Investment Policy specifies authorized investments, subject to certain limitations.

According to the City Treasurer’s Monthly Report for the quarter ending September 30, 2006, the City’s invested funds market value totaled approximately \$1.4 billion. The investment portfolio includes a variety of fixed income securities that vary in maturity from one day to five years. These securities include U.S. Treasury Notes, U.S. Agency Notes, Medium–Term Corporate Notes, and other fixed income instruments. On June 30, 2007, approximately 84% of the total City Portfolio was invested in U.S. Treasury and Agency Notes, 3% in Medium–Term Notes, 9% in Commercial Paper and the remaining 4% in the State of California Local Agency Investment Pool (LAIF) and cash.

A summary of the City Treasurer’s Quarterly Report for the quarter ending September 30, 2006, is set forth below:

Invested Market Balance	\$1,600,371,231
Portfolio Market Yield	4.59%
Average Portfolio Maturity in Days	652 days
Average Portfolio Maturity in Years	1.79 years

Source: City of Long Beach – Department of Financial Management – Fiscal Year  
2007 Unaudited

In October 2000, Standard & Poor’s Ratings Services issued and presently maintains, a credit quality rating on the City’s investment portfolio of “AAA” and a volatility rating of “S1.” Any explanation of the significance of such a rating may be obtained from Standard & Poor’s Ratings Services.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS**

### **Article XIII A**

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a

rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property values included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness and pension liability are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The City is unable to predict the nature or magnitude of future revenue sources that may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

#### **Article XIII B**

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified out lay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (b) the investment of tax revenues; and (c) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity's

revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in June 1990, the appropriations limit for the City in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the City's option, either (a) the percentage change in California per capita personal income, or (b) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the City over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

### **Proposition 218**

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contained a number of interrelated provisions affecting the ability of local governments, including the City, to levy and collect both existing and future taxes, assessments, fees and charges. The City is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the City's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the City's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. However, the City does not presently believe that the potential impact on the financial condition of the City as a result of the provisions of Proposition 218 will adversely affect the City's ability to make principal and premium, if any, and interest payments on the Notes and perform its other obligations payable from the General Fund as and when due.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. Further, any general purpose tax that the City imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election held within two years of November 5, 1996. These voter approval requirements of Proposition 218 reduce the flexibility of the City to raise revenues through General Fund taxes, and no assurance can be given that the City will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends to voters the power to reduce or repeal local taxes, assessments, fees and charges through the initiative process, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges.

The initiative powers extended to voters under Article XIII C likely excludes actions construed as impairment of contracts under the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after November 6, 1998, assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the City's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or SB 919, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C of Proposition 218, by its terms, applies to all local taxes, assessments, fees and charges. The City is unable to predict whether the courts will ultimately interpret the initiative provision to be limited to property related local taxes, assessments, fees and charges. No assurance can be given that the voters of the City will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the City's General Fund. The City believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the City, including its General Fund, would be materially adversely affected.

Article XIII D of Proposition 218 adds several new requirements to make it more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and SB 919 as any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in City service areas and in special districts.

Article XIII D also adds several provisions, including notice requirements and restrictions on use, affecting "fees" and "charges" which are defined as "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." The annual amount of revenues that are received by the City and deposited into its General Fund which may be considered to be property related fees and charges under Article XIII D of Proposition 218 is not substantial. Accordingly, presently the City does not anticipate that any impact Proposition 218 may have on future fees and charges will not adversely affect the ability of the City to pay the principal and premium, if any, of and interest on the Notes as and when due. However, no assurance can be given that the City may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the California Legislature from time to time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the City.

## **Proposition 62**

Proposition 62 was adopted by the voters at the November 4, 1986 general election and (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the City be approved by a two-thirds vote of the governmental entity's



legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara City Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of one-half of 1% was a special tax that, under Section 53722 of the California Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, the special tax was found to be invalid.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* In this case, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

### **Proposition 1A**

Proposition 1A, proposed by the California Legislature in connection with the 2004-2005 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the California Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-2009, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The City presently anticipates that the operation of Proposition 1A will not adversely affect the ability of the City to pay the principal, premium, if any, and interest on the Notes or any of its other obligations as and when due.

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. The limitations imposed upon the City by these provisions hinder the City's ability to raise revenues through taxes or otherwise and may therefore prevent the City from meeting increased expenditure requirements. The City expects that other initiative measures will be adopted, some of which may place further limitations on the ability of the State, the City or local districts to increase revenues or to spend money or which could have other financially adverse effects such as requiring the City to undertake new responsibilities. Such other initiatives could have a material adverse effect on the City's financial condition.

## **State of California Financial Condition**

The State's fiscal condition is improving due largely to continued stronger than expected growth in general fund revenues. The City receives approximately 20% of its general fund revenues from the State (including funds provided by the State for specific State and federal programs). The financial condition of the State has an impact on the level of these revenues. There can be no assurances that the State's efforts to balance the State general fund will not materially adversely affect the financial condition of the City.

*Recent State Budgets.* Certain information about the State budgeting process and the State Budget is available through several State sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the City or the Remarketing Agents and is not incorporated herein by reference.

The California State Treasurer Internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading "Bonds-Public Finance—Bond Sales," posts various State of California Official Statements, many of which contain a summary of the current State Budget and past State Budgets.

The California State Treasurer's Office Internet home page at [www.treasurer.ca.gov](http://www.treasurer.ca.gov), under the heading "Bonds-Public Finance—Financial Information," posts the State's audited financial statements. In addition, the "Bonds-Public Finance—Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues.

The California Department of Finance's Internet home page at [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget," includes the text of proposed and adopted State Budgets.

The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at [www.lao.ca.gov](http://www.lao.ca.gov).

*2007-2008 State Budget.* On June 30, 2006, Governor Schwarzenegger signed the 2007-2008 Budget Act (the "2007-2008 Budget Act") into law. The 2007-2008 Budget Act assumes General Fund revenues and transfers will increase from \$92.7 billion in Fiscal Year 2005-2006 to \$94.4 billion in Fiscal Year 2007-2008. General Fund expenditures are expected to increase from \$92.7 billion in Fiscal Year 2005-2006 to \$101.3 billion in Fiscal Year 2007-2008, or approximately 9 percent. The 2007-2008 Budget Act projects a reserve of \$2.1 billion as of June 30, 2006.

Certain of the features of 2007-2008 Budget Act affecting local governments include the following:

The State has enacted Vehicle License Fee ("VLF") reductions for the current and prior fiscal years, but under the law authorizing these reductions, the State is required to "backfill" local governments for their revenue losses resulting from the lowered rates, and the VLF rate must be increased whenever there are insufficient moneys in the State general fund to pay for the backfill. The 2004-2005 budget originally provided funding for the State general fund backfill payments to cover a full reduction in the VLF, however under the 2004-2005 Budget Act the VLF rate is lowered from 2.0 percent to 0.65 percent and the VLF backfill is eliminated. The State will provide increased property tax revenues to compensate for the reduction in revenues local governments previously received from VLF. The 2005-2006 Budget Act rejects the administration's proposal to prepay one-half of the \$1.2 billion VLF gap loan from local governments due in 2007-2008, and agrees instead to a smaller prepayment of \$25 million and earmarks the payment for local agencies experiencing fiscal hardship, including those related to booking fee payments. The 2007-2008 State Budget will allow local governments to receive \$700 million more in property tax revenue due to the VLF swap than they otherwise would have.

(b) Provides \$232.5 million (General Fund), for all other non-education mandates, including the peace officer's procedural bill of rights mandate. Funding for the mental health mandate will be provided for separately in the budget. The budget suspends local agency obligations to carry out 29 mandates in the budget year and directs the Commission on State Mandates to reconsider two previous mandate determinations that found state reimbursable costs. The budget starts the process of paying local governments for the large backlog of pre-2004-2005 mandates claims. Specifically, the budget provides \$169.9 million (General Fund) to make the 2007-2008 and 2007-2008 payments towards the state's 15-year plan to retire this mandate debt.

The City cannot predict whether the State will continue to encounter budgetary problems in this or in any future fiscal years, and if it were to do so, it is unknown what measures would be taken by the State to balance its budget, as required by law. Accordingly, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the California Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the City has no control.

*Property Tax Shift to the Education Revenue Augmentation Fund.* In connection with its approval of former budgets, the California Legislature enacted legislation, that among other things, reallocated a portion of funds from redevelopment agencies to school districts by shifting each agency's tax increment, net of amounts due to other taxing agencies, to school districts ("ERAF" shifts). The 2004-2005 State Budget imposes an ERAF shift equal to \$1.3 billion in each of fiscal year 2004-2005 and fiscal year 2005-2006, to be apportioned among cities (\$350 million), counties (\$350 million), special districts (\$350 million) and redevelopment agencies (\$250 million). The ERAF shifts expire in 2007-2008 and the local governments will retain an additional \$1.3 billion from property tax revenue. The City's share of this additional shift of property taxes is estimated to be approximately \$341,856 in each of the two years, but Proposition 1A prohibits (subject to certain limited "emergency" circumstances) any further transfers of non-education local government property taxes for the benefit of the State.

The City cannot predict whether the California Legislature will enact legislation impacting future revenues available to the City for the payment of principal, premium, if any, and interest on the Notes. Given the level of the State's budget deficit problems, it is possible that revenues available for the

payment of principal, premium, if any, and interest on the Notes may be reduced in the future by actions of the California Legislature.

*Triple Flip.* The City anticipates that property tax revenue could be an increasingly significant portion of City revenues, and that sales tax revenue could be an increasingly smaller portion of City revenues, at least over the next few fiscal years (it is expected that this circumstance would terminate once the deficit financing bonds described below are repaid), because of legislation, commonly referred to as the “Triple Flip.” The Triple Flip legislation was passed by the voters on March 2, 2004, as part of a bond initiative formally known as the “California Economic Recovery Act.” This act authorized the issuance of \$15 billion in bonds to finance the 2002-2003 and 2003-2004 State budget deficits, which would be payable from a fund to be established by the redirection of tax revenues through the Triple Flip. Under the “Triple Flip” one quarter of local governments’ one percent share of the sales tax imposed on taxable transactions within their jurisdiction will be redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation provides for property taxes in the ERAF to be redirected to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds are repaid. The City cannot predict what actions will be taken in future years by the California Legislature and the Governor to address the State’s current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the City has no control. To the extent that the State budget process results in reduced revenues to the City, the City will be required to make adjustments to its budget.

## **TAX MATTERS**

### **General**

In the opinion of Kutak Rock LLP, Note Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the State with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be met subsequent to the issuance of the Notes. Failure to comply with such requirements could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The State has covenanted to comply with such requirements. Note Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Notes. Note Counsel is further of the opinion that under existing statutes, regulations, rulings and judicial decisions, interest on the Notes is exempt from all present State of California personal income taxes.

Notwithstanding Note Counsel’s opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations’ adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer’s election under Internal Revenue Service Notice 94-84, 1994-2 C.B. 559. Notice 94-84 states that the Internal Revenue Service (the “Service”) is studying whether the amount of the payment at maturity excluded from gross income for federal income tax purposes for debt obligations such as the

Notes that are sold with an original issue premium is either (i) the stated interest payable at maturity or (ii) the difference between the issue price of the Notes and the aggregate amount to be paid at maturity of the Notes (the "original issue discount"). For this purpose, the issue price of the Notes is the first price at which a substantial amount of the Notes is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the Service provides further guidance, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt debt obligations with a term that is not more than one year from the date of issue in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of Notes if the taxpayer elects original discount treatment.

The accrual or receipt of interest on the Notes may otherwise affect the federal income tax liability of the owners of the Notes. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Note Counsel has expressed no opinion regarding any such consequences. Purchasers of the Notes, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Notes.

### **Changes in Federal Tax Law**

From time to time, there are legislative proposals in the Congress that, if enacted, could alter or amend the federal income matters referred to above or could adversely affect the market value of the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, any such proposal would apply to Notes issued prior to enactment. Purchasers of the Notes should consult their tax advisors regarding any pending or proposed tax legislation. The opinions expressed by Note Counsel are based upon existing legislation as of the date of issuance and delivery of the Notes and Note Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

### **Original Issue Premium**

The Notes are being sold at a premium. An amount equal to the excess of the issue price of a Note over its stated redemption price at maturity constitutes premium on such Note. An initial purchaser of a Note must amortize any premium over such Note's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Note is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Note prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Notes should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Note.

### **LITIGATION**

No litigation is pending or, to the best of the knowledge of the City, threatened, concerning the validity of the Notes, and a Certificate of the City Attorney to that effect will be furnished to the initial

purchasers at the time of the original delivery to the Notes. The City is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to levy and collect ad valorem taxes or to collect or receive revenues sufficient to timely pay pledged revenues as required by the terms of the Notes or contesting the City's ability to issue and retire the Notes.

There are a number of lawsuits and claims pending against the City, but should any suit against the City result in a judgment adverse to the City during Fiscal Year 2007-2008, the City would pay such claim or judgment from funds that have been appropriated for that purpose. The aggregate amount of the uninsured liabilities of the City which may result from such suits and claims will not, in the opinion of the City Attorney, materially affect the City's finances so as to impair its ability to repay the Notes.

### **Legality for Investment**

Under provisions of the California Financial Code, the Notes are legal investments for commercial banks in California to the extent that the Notes, in the informed opinion of the bank, are prudent for the investment of funds of its depositors, and are eligible to secure deposits of public moneys in California under provisions of the California Government Code.

### **CONTINUING DISCLOSURE**

The City will undertake responsibility for any continuing disclosure to owners of the Notes as described below.

The City will execute a Confirming Disclosure Certificate, to be dated the date of delivery of the Notes (the "Continuing Disclosure Certificate"), which provides for, certain disclosure obligations as part of the City. Under the Continuing Disclosure Certificate, the City will covenant for the benefit of Owners and Beneficial Owners of the Notes to provide notices of the occurrence of certain enumerated events (the "Listed Events"), if material. The notices of material events will be filed with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and with any then existing State Repository for the State of California. Currently, there is no State Repository for the State of California. This covenant will be made in order to assist the Underwriter of the Notes in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The City has not failed to comply with any prior such undertaking under the Rule. See "APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE."

### **RATINGS**

Moody's Investors Service Inc., Standard and Poor's Rating Services, a division of the McGraw Hill Companies Inc. and Fitch Inc., are expected to assign ratings of "MIG 1," "SP-1+" and "F1+," respectively, to the Notes. Such ratings reflect only the views of such rating agencies, and any explanation of the significance of such ratings should be obtained from each rating agency. Further, there is no assurance that any of the ratings will be retained for any given period of time or that any of the ratings will not be revised or withdrawn entirely by such rating agencies if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the trading value and the market price of the Notes.

### **FINANCIAL ADVISOR**

The City has retained Public Financial Management, Inc., Los Angeles, California, as Financial Advisor in connection with the authorization and delivery of the Notes. The Financial Advisor is not

obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The fees of the Financial Advisor are contingent upon the sale, issuance and delivery of the Notes.

Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

## **FINANCIAL STATEMENTS**

The financial statements of the City for the fiscal year ended September 30, 2006 and the accompanying Notes to the Financial Statements, the Management's Discussion and Analysis and certain supplementary information, and the Report of KPMG LLP, independent accountant, dated June 28, 2007 (collectively, the "2006 Financial Statements") are included as Appendix A to this Official Statement. The 2006 Financial Statements have been audited by KPMG LLP, as stated in their report dated June 28, 2007.

The 2006 Financial Statements have been extracted from the City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2006 (the "2006 CAFR"). The complete 2006 CAFR has not been included in this Official Statement. Certain page references contained in the 2006 Financial Statements, included in Appendix A, are references to pages as they appear in the complete version of the 2006 CAFR. Potential investors should not rely upon such page references. Potential investors may request a complete copy of the 2006 CAFR from the City at the office of the City Treasurer, City of Long Beach, 6<sup>th</sup> Floor, City Hall, 333 West Ocean Boulevard, Long Beach, California 90802.

## **MISCELLANEOUS**

The execution of this Official Statement has been authorized by the City.

At the time of delivery and payment for the Notes, the City Manager or his designee, will deliver a certificate that, to the best of his knowledge, this Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they have been made, not misleading. Such certificate will also certify that, to the best of his knowledge, from the date of this Official Statement to the date of such delivery and payment, there was no material adverse change in the information set forth herein.

Additional information may be obtained from the City by contracting the City Treasurer, City of Long Beach, 6<sup>th</sup> Floor, City Hall, 333 West Ocean Boulevard, Long Beach, California 90802. The City maintains a website at [www.longbeach.gov](http://www.longbeach.gov). Information on such website is not part of this Official Statement nor has such information been incorporated by reference herein and should not be relied upon in deciding whether to invest in the Notes.

CITY OF LONG BEACH

By: \_\_\_\_\_  
Anthony W. Batts, City Manager



**APPENDIX A**

**CITY OF LONG BEACH GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDING SEPTEMBER 30, 2006**

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## **APPENDIX B**

### **PROPOSED FORM OF OPINION OF NOTE COUNSEL**

[\_\_\_\_], 2007

City of Long Beach  
Long Beach, California

**\$56,500,000\***  
**CITY OF LONG BEACH, CALIFORNIA**  
**2007-2008 TAX AND REVENUE ANTICIPATION NOTES**

Ladies and Gentlemen:

We have acted as Note Counsel in connection with the authorization and issuance by the City of Long Beach, California (the "Issuer") of its aggregate principal amount of \$56,500,000\* City of Long Beach, California 2007-2008 Tax and Revenue Anticipation Notes, dated [\_\_\_\_], 2007 (the "Notes"), pursuant to the resolution of the Issuer adopted September 11, 2007 (the "Resolution"), and the constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Government Code"). We have examined the constitution and the laws of the State, including the Government Code, and such certified proceedings and other papers as we deemed necessary to render this opinion.

The Notes bear interest at a rate of [\_\_\_\_]% per annum and are issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof and are numbered from R-1 consecutively upward in the order of their issuance, and when issued will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC").

The Notes are dated the date of their delivery and will mature, without option of prior redemption, on September 30, 2008. Interest and principal on the Notes are payable at the maturity of the Notes in lawful moneys of the United State of America upon presentation and surrender at the office of The Bank of New York Trust Company, N.A., as paying agent.

We have reviewed the record of proceedings submitted to us relative to the Notes including the Resolution, certifications and opinions of counsel to the Issuer and others, and such other records, documents and matters as we deemed necessary to render the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as set forth above, it is our opinion that:

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\* Preliminary, subject to change.

1. The Notes have been duly authorized, executed and delivered by the Issuer and constitute valid and legally binding special obligations of the Issuer, payable solely from and secured by a pledge of the Pledged Revenues (as that term is defined in the Resolution) of the Issuer. Pursuant to Section 53857 of the California Government Code, the Notes are general obligations of the Issuer and, to the extent the Notes are not paid from the Pledged Revenues, the Notes are payable from any other moneys of the Issuer lawfully available therefore. The Notes do not constitute a debt, liability or general obligation of the State or any political subdivision of the State other than the Issuer.

2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Notes is excluded from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Notwithstanding the preceding sentence, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

4. The opinion set forth above in paragraph 3 with respect to the exclusion from gross income for federal income tax purposes assumes the accuracy of certain representations and compliance by the Issuer with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be met subsequent to the issuance of the Notes. Failure to comply with such requirements could cause interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The Issuer has covenanted to comply with such requirements. Note Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Notes.

5. Under existing statutes, regulations, rulings and judicial decisions, interest on the Notes is exempt from all present State of California personal income taxes.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or events occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and we have assumed the accuracy of the factual matters represented, warranted or certified in the documents. In addition, we call your attention to the fact that the foregoing obligations of the Issuer under the Notes and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting creditors' rights generally. In addition, the enforceability of the Notes and the Resolution is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific enforcement or injunctive relief, regardless of whether considered in a proceeding in equity or at law. We express no opinion regarding the availability of equitable remedies.

This opinion letter is issued to and for the sole benefit of the above addressee and is issued for the sole purpose of the transaction specifically referred to herein. No persons other than the above addressee may rely upon this letter without our express prior written consent. This letter may not be utilized by you for any other purpose whatsoever and may not be quoted by you without our express prior written consent except that a copy of this opinion may be attached to the Official Statement for the Notes and included in the transcript of proceedings for the Notes. We assume no obligation to review or supplement this letter

subsequent to its date, whether by reason of a change in the current laws, by legislative or regulatory action, by judicial decision or for any other reason.

Very truly yours,

**KUTAK ROCK LLP**

## APPENDIX C

### PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is entered into by the City of Long Beach, California (the "City") in connection with the issuance by the City of Long Beach of its \$56,500,000\* aggregate principal amount of City of Long Beach, California, 2007-2008 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a Resolution adopted by the City Council of the City on September 11, 2007 (the "Resolution"). The City covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Notes and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**Section 2. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

*"Dissemination Agent"* shall mean the City, or any successor Dissemination Agent designated in writing by the City.

*"Listed Events"* shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

*"National Repository"* shall mean any Nationally Recognized Municipal Securities Information Repository under the Rule.

*"Participating Underwriter"* shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with the offering of the Notes.

*"Repository"* shall mean each State Repository, if any, and National Repository.

*"Rule"* shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

*"State Repository"* shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

#### **Section 3. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

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\* Preliminary, subject to change.

- (i) principal and interest payment delinquencies or delinquencies in any scheduled deposit into a Repayment Account;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) adverse tax opinions or events affecting the tax-exempt status of the Notes;
- (vi) modifications to rights of Noteholders;
- (vii) contingent or unscheduled Note calls;
- (viii) defeasances;
- (ix) release, substitution or sale of property securing repayment of the Notes;
- (x) rating changes;
- (xi) substitution of credit or liquidity providers, or their failure to perform;

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities law, the City shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in clauses (a)(viii) and (ix) need not be given under this paragraph any earlier than the notice, if any, of the underlying event is given to holders of affected Notes pursuant to the Resolution.

**Section 4. Termination of Reporting Obligation.** The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

**Section 5. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the City, shall not be responsible in any manner for the content of any notice prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the City.

**Section 6. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived; provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Notes; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

**Section 7. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

**Section 8. Default.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in the County of Los Angeles or in a U.S. District Court in or nearest to the City of Long Beach. A default under this Disclosure Certificate shall not be deemed a default under the Resolution and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 9. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses, including attorneys' fees, of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

**Section 10. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Notes, and shall create no rights in any other person or entity.



**Section 11. Filing With Central Post Office.** Any filing under this Certificate may alternatively be made by transmitting such filing to the Texas Municipal Advisory Council as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the Texas Municipal Advisory Council dated September 7, 2004.

Dated as of [\_\_\_\_], 2007.

CITY OF LONG BEACH, CALIFORNIA

By \_\_\_\_\_  
Anthony W. Batts, City Manager

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**EXHIBIT E**

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**PAYING AGENT/REGISTRAR AGREEMENT**

by and between

**CITY OF LONG BEACH, CALIFORNIA,**  
as Issuer

and

**THE BANK OF NEW YORK TRUST COMPANY, N.A.**  
Paying Agent

Dated as of October 1, 2007

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## **PAYING AGENT/REGISTRAR AGREEMENT**

**THIS PAYING AGENT/REGISTRAR AGREEMENT** (this “Agreement”), is entered into as of October 1, 2007, by and between the **CITY OF LONG BEACH, CALIFORNIA** (the “Issuer”), and **THE BANK OF NEW YORK TRUST COMPANY, N.A.** (“Paying Agent”), as Paying Agent and Registrar.

### **WITNESSETH:**

WHEREAS, the Issuer has duly authorized and provided for the issuance of its Notes, entitled the “City of Long Beach, California 2007-2008 Tax and Revenue Anticipation Notes” (the “Notes”) in an aggregate principal amount of \$[AMOUNT] to be issued as fully registered Notes without coupons; and

WHEREAS, the Issuer will ensure all things necessary to make the Notes the valid obligations of the Issuer, in accordance with their terms, will be done upon the issuance and delivery thereof; and

WHEREAS, the Issuer and the Paying Agent wish to provide the terms under which the Paying Agent will act as paying agent to hold and pay the principal of and interest on the Notes, in accordance with the terms thereof, and under which the Paying Agent will act as Registrar for the Notes; and

WHEREAS, the Paying Agent has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as paying agent and Registrar for the Notes; and

WHEREAS, the Issuer has duly authorized the execution and delivery of this Agreement, and all things necessary to make this Agreement a valid agreement have been done;

NOW, THEREFORE, it is mutually agreed as follows:

### **ARTICLE I**

#### **DEFINITIONS**

For all purposes of this Agreement except as otherwise expressly provided or unless the context otherwise requires:

“*Note Register*” means the book or books of registration kept by the Paying Agent in which are maintained the names and addresses and principal amounts registered to each Registered Owner.

“*Note Resolution*” means the Resolution of the Issuer pursuant to which the Notes were issued.

“*Note*” or “*Notes*” means any one or all of the \$[AMOUNT] in aggregate principal amount of Notes entitled “City of Long Beach, California 2007-2008 Tax and Revenue Anticipation Notes.”

“*Fiscal Year*” means the fiscal year of the Issuer ending on September 30 of each year.

“*Issuer*” means the City of Long Beach, California.

“*Issuer Request*” means a written request signed in the name of the Issuer and delivered to the Paying Agent.

“*Paying Agent*” means The Bank of New York Trust Company, N.A., a national banking association, or any successor thereto, when it is performing the function of paying agent for the Notes.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government or any entity whatsoever.

“*Registered Owner*” means a Person in whose name a Note is registered in the Note Register.

“*Registrar*” means the Paying Agent when it is performing the function of registrar for the Notes.

“*S&P*” means Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies.

“*Stated Maturity*,” when used with respect to any Note, means September 30, 2008, as the date on which the principal of and accrued interest on such Note is due and payable.

## ARTICLE II

### APPOINTMENT OF PAYING AGENT AS PAYING AGENT AND REGISTRAR

**Section 2.01. Appointment and Acceptance.** The Issuer hereby appoints the Paying Agent to act as Paying Agent with respect to the Notes, to pay the Registered Owners in accordance with the terms and provisions of this Agreement and the Note Resolution, the principal of and interest on all or any of the Notes.

The Issuer hereby appoints the Paying Agent as Registrar with respect to the Notes. As Registrar, the Paying Agent shall keep and maintain for and on behalf of the Issuer, books and records as to the ownership of the Notes and with respect to the transfer and exchange thereof as provided herein and in the Note Resolution.

The Paying Agent hereby accepts its appointment, and agrees to act as paying agent and Registrar.

**Section 2.02. Compensation.** As compensation for the Paying Agent's services as paying agent and Registrar, the Issuer hereby agrees to pay the Paying Agent the fees and amounts set forth in a separate agreement between the Issuer and the Paying Agent.

In addition, the Issuer agrees to reimburse the Paying Agent, upon its request, for all reasonable and necessary out-of-pocket expenses, disbursements and advances, including without limitation by the Paying Agent in connection with entering into and performing under this Agreement and in connection with investigating and defending itself against any claim or liability in connection with its performance hereunder.

### **ARTICLE III**

#### **PAYING AGENT**

**Section 3.01. Duties of Paying Agent.** As paying agent, the Paying Agent, provided sufficient collected funds have been provided to the Paying Agent for the purposes described herein, by or on behalf of the Issuer, shall pay on behalf of the Issuer, the principal of and interest on each Note in accordance with the provisions of the Note Resolution.

**Section 3.02. Payment Dates.** The Issuer hereby instructs the Paying Agent to pay the principal of and interest on the Notes on the dates specified in the Note Resolution.

### **ARTICLE IV**

#### **REGISTRAR**

**Section 4.01. Initial Delivery of Notes.** The Notes will be initially registered and delivered to the purchaser designated by the Issuer as one Note for each maturity. If such purchaser delivers a written request to the Paying Agent not later than five business days prior to the date of initial delivery, the Paying Agent will, on the date of initial delivery, deliver Notes of authorized denominations, registered in accordance with the instructions in such written request.

**Section 4.02. Duties of Registrar.** The Paying Agent shall provide for the proper registration of transfer, exchange and replacement of the Notes.

Every Note surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an eligible guarantor institution, in form acceptable to the Paying Agent, duly executed by the Registered Owner thereof or his attorney duly authorized in writing. The Registrar may request any supporting documentation it deems necessary or appropriate to effect a re-registration. The Paying Agent may require repayment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

**Section 4.03. Unauthenticated Notes.** If the Notes are not registered with The Depository Trust Company as the Owner thereof, the Issuer shall provide to the Paying Agent on a continuing basis, an adequate inventory of unauthenticated Notes to facilitate transfers. The Paying Agent agrees that it will maintain any such unauthenticated Notes in safekeeping.



**Section 4.04. Form of Note Register.** The Paying Agent, as Registrar, will maintain its records as Note Registrar in accordance with the Paying Agent's general practices and procedures in effect from time to time.

**Section 4.05. Reports.** The Issuer may request the information in the Note Register at any time the Paying Agent is customarily open for business; provided that reasonable time is allowed the Paying Agent to provide an up-to-date listing and to convert the information into written form.

The Paying Agent will not release or disclose the content of the Note Register to any person other than to the Issuer at its written request, except upon receipt of a subpoena or court order or as may otherwise be required by law. Upon receipt of a subpoena or court order the Paying Agent will notify the Issuer.

**Section 4.06. Cancelled Notes.** All Notes surrendered for payment, redemption, transfer, exchange or replacement, if surrendered to the Paying Agent, shall be promptly cancelled by it and, if surrendered to the Issuer, shall be delivered to the Paying Agent and, if not already cancelled, shall be promptly cancelled by the Paying Agent. The Issuer may at any time deliver to the Paying Agent for cancellation any Notes previously authenticated and delivered which the Issuer may be acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Paying Agent. All cancelled Notes held by the Paying Agent for its retention period then in effect and shall thereafter be destroyed and evidence of such destruction furnished to the Issuer upon its written request.

**Section 4.07. General Obligation.** The Paying Agent and the Issuer hereby agree that notwithstanding that the Paying Agent shall serve as the paying agent for the Notes, the Notes shall remain a general obligation of the Issuer payable from certain revenues attributable to the Issuer's 2007-2008 Fiscal Year. Although certain funds will be held by the Paying Agent, as paying agent (but only to the extent described in Section 3.01 of this Agreement), investment losses while such funds are held by the Paying Agent as paying agent shall be borne by the Issuer, so that the obligation to repay the Notes remains a general obligation of the Issuer until the maturity date of the Notes, and the transfer of funds and/or securities to the Paying Agent as paying agent does not extinguish the Issuer's obligation to repay the Notes.

**Section 4.08. Mutilated, Destroyed, Lost and Stolen Notes.** If any mutilated Note is surrendered to the Paying Agent, or the Paying Agent receives evidence to its satisfaction of the destruction, loss or theft of any Note, and there is delivered to the Issuer and the Paying Agent such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Issuer or the Paying Agent that any such destroyed, lost or stolen Note has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's written request, the Paying Agent shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note (upon surrender of such Note), a new Note of the same maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

Upon the issuance of any new Note under this Section, the Issuer or the Paying Agent may require the payment of a sum sufficient to cover any tax or other governmental charge.

## ARTICLE V

### DUTIES AND RIGHTS OF PAYING AGENT

**Section 5.01. Duties of Paying Agent.** The Paying Agent undertakes to perform the duties set forth herein. No implied duties or obligations shall be read into this Agreement against the Paying Agent. The Paying Agent hereby agrees to use the funds deposited with it for payment of the principal of and interest on the Notes to pay the same as it shall become due and further agrees to establish and maintain such accounts and funds as may be required for the Paying Agent to function as Paying Agent.

#### **Section 5.02. Reliance on Documents, Etc.**

(a) The Paying Agent may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions expressed therein, on certificates or opinions furnished to the Paying Agent by the Issuer.

(b) The Paying Agent shall not be liable for any error of judgment made in good faith. The Paying Agent shall not be liable for other than its gross negligence or willful misconduct in connection with any act or omission hereunder.

(c) No provision of this Agreement shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the existence of any of its rights or powers.

(d) The Paying Agent may rely, or be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent need not examine the ownership of any Note, but shall be protected in acting upon receipt of Notes contained an endorsement or instruction of transfer of power of transfer which appears on its face to be signed by the Registered Owner or agent of the Registered Owner.

(e) The Paying Agent may consult with counsel, and the written advice or opinion of counsel shall be authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(f) The Paying Agent may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys and shall not be liable for the actions of such agent or attorney if appointed by it with reasonable care.

(g) The Paying Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Paying Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

(h) The Paying Agent agrees to accept and act upon instructions or directions pursuant to this agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that (a) the Issuer, subsequent to such transmission of written instructions, shall provide the originally executed instructions or directions to the Paying Agent in a timely manner, (b) such originally executed instructions or directions shall be signed by a person as may be designated and authorized to sign for the Issuer or in the name of the Issuer, by an authorized representative of the Issuer, and (c) the Issuer shall provide to the Paying Agent an incumbency certificate listing such designated person, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Issuer elects to give the Paying Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Paying Agent in its discretion elects to act upon such instructions, the Paying Agent's understanding of such instructions shall be deemed controlling. The Paying Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Paying Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Issuer agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Paying Agent, including without limitation the risk of the Paying Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(i) The Issuer acknowledges that regulations of the Comptroller of the Currency grant the Issuer the right to receive brokerage confirmations of the security transactions as they occur, at no additional cost. To the extent permitted by law, the Issuer specifically waives compliance with 12 C.F.R. 12 and hereby notifies the Paying Agent that no brokerage confirmations need to be sent relating to the security transactions as they occur. The Paying Agent shall have no obligation to invest and reinvest any cash held by it hereunder in the absence of timely and specific written direction from the Issuer. In no event shall the Paying Agent be liable for the selection of investments or for investment losses incurred thereon. The Paying Agent shall have no liability in respect of losses incurred as result of the liquidation of any investment prior to its stated maturity or the failure of the Issuer to provide timely written investment direction. The Paying Agent may purchase or sell to itself or any affiliate, as principal or agent, investment authorized by this Agreement. The Paying Agent may conclusively rely upon such written direction from the Issuer as to both the suitability and legality of the directed investments.

**Section 5.03. Recitals of Issuer.** The recitals contained in the Resolution and the Notes shall be taken as the statements of the Issuer, and the Paying Agent assumes no responsibility for their correctness.

**Section 5.04. May Own Notes.** The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not the Paying Agent and Registrar for the Notes.

**Section 5.05. Money Held by Paying Agent.** Money held by the Paying Agent hereunder need not be segregated from other funds. The Paying Agent shall have no duties with

respect to the investment of funds deposited with it and shall be under no obligation to pay interest on any money received by it hereunder.

Any money deposited with or otherwise held by the Paying Agent for the payment of the principal or interest on any Note and remaining unclaimed for two years after such deposit will be paid by the Paying Agent to the Issuer, and the Issuer and the Paying Agent agree that the Registered Owner of such Note shall thereafter look only to the Issuer for payment thereof, and that all liability of the Paying Agent with respect to such moneys shall thereupon cease.

**Section 5.06. Other Transactions.** The Paying Agent may engage in or be interested in any financial or other transaction with the Issuer.

**Section 5.07. Interpleader.** The Issuer and the Paying Agent agree that the Paying Agent may seek adjudication of any adverse claim, demand or controversy over its person as well as funds on deposit, in a court of competent jurisdiction. The Issuer and the Paying Agent further agree that the Paying Agent has the right to file an action in interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

**Section 5.08. Indemnification.** To the extent permitted by law, the Issuer shall indemnify the Paying Agent, its officers, directors, employees and agents ("Indemnified Parties") for, and hold them harmless against any loss, cost, claim, liability or expense arising out of or in connection with the Paying Agent's acceptance or administration of the Paying Agent's duties hereunder or under the Resolution (except any loss, liability or expense as may be adjudged by a court of competent jurisdiction to be attributable to the Paying Agent's gross negligence or willful misconduct), including the cost and expense, including its counsel fees, of defending powers or duties under this Agreement. Such indemnity shall survive the termination or discharge of this Agreement or discharge of the Notes.

**Section 5.09. Ratings.** The initial Paying Agent hereby confirms that it is a wholly owned subsidiary of The Bank of New York Mellon Corporation. The Bank of New York Mellon Corporation has a rating by S&P of "A+" (Long-Term Senior debt).

## ARTICLE VI

### MISCELLANEOUS PROVISIONS

**Section 6.01. Amendment.** This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

**Section 6.02. Assignment.** This Agreement may not be assigned by either party without the prior written consent of the other party.

**Section 6.03. Notices.** Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Paying Agent shall be mailed or delivered to the Issuer or the Paying Agent, respectively, at the address shown herein, or such other address as may have been given by one party to the other by 15 days' written notice.

**Section 6.04. Effect of Headings.** The Article and Section headings herein are for convenience of reference only and shall not affect the construction hereof.

**Section 6.05. Successors and Assigns.** All covenants and agreements herein by the Issuer and the Paying Agent shall bind their successors and assigns, whether so expressed or not.

**Section 6.06. Severability.** If any provision of this Agreement shall be determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

**Section 6.07. Benefits of Agreement.** Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

**Section 6.08. Entire Agreement.** This Agreement and the Note Resolution (to the extent that its provisions are specifically referenced herein) constitute the entire agreement between the parties hereto relative to the Paying Agent acting as Paying Agent and Registrar.

**Section 6.09. Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

**Section 6.10. Term and Termination.** This Agreement shall be effective from and after its date and until the Paying Agent resigns or is removed in accordance with the Resolution; provided, however, that no such termination shall be effective until a successor has been appointed and has accepted the duties of the Paying Agent hereunder. The Paying Agent may resign at any time by giving written notice thereof to the Issuer. If the Paying Agent shall resign, be removed or become incapable of acting, the Issuer shall promptly appoint a successor Paying Agent or Registrar. If an instrument of acceptance by a successor Paying Agent and Registrar shall not have been delivered to the Paying Agent within 30 days after the Paying Agent gives notice of resignation, the Paying Agent may petition any court of competent jurisdiction at the expense of the Issuer for the appointment of a successor Paying Agent and Registrar. In the event of resignation or removal of the Paying Agent as Paying Agent and Registrar, upon the written request of the Issuer and upon payment of all amounts owing the Paying Agent hereunder the Paying Agent shall deliver to the Issuer or its designee all funds and unauthenticated Notes, and a copy of the Note Register. The provisions of Sections 2.02 and 5.08 hereof shall survive and remain in full force and effect following the termination of this Agreement.

**Section 6.11. Governing Law.** This Agreement shall be construed in accordance with and shall be governed by the laws of the State of California.

**Section 6.12. Documents To Be Filed With Paying Agent.** At the time of the Paying Agent's appointment as Paying Agent and Registrar, the Issuer shall file with the Paying Agent the following documents: (a) a certified copy of the Resolution and a specimen Note; (b) a copy of the opinion of Note counsel provided to the Issuer in connection with the issuance of the Notes; and (c) an Issuer Request containing written instructions to the Paying Agent with respect to the issuance and delivery of the Notes, including the name of the Registered Owners and the denominations of the Notes.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CITY OF LONG BEACH

By \_\_\_\_\_  
David S. Nakamoto, Treasurer

Address: City of Long Beach  
City Hall  
333 West Ocean Boulevard  
Long Beach, CA 90802-4664

Approved as to Form:

By \_\_\_\_\_  
Heather Mahood, Assistant City Attorney

THE BANK OF NEW YORK TRUST  
COMPANY, N.A., as Paying Agent and  
Registrar

By \_\_\_\_\_  
Rose Bystrom, Vice President

Address: The Bank of New York Trust  
Company, N.A.  
700 S. Flower Street, Suite 500  
Los Angeles, CA 90017

## EXHIBIT F

### CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is entered into by the City of Long Beach, California (the "City") in connection with the issuance by the City of Long Beach of its \$[AMOUNT] aggregate principal amount of City of Long Beach, California, 2007-2008 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a Resolution adopted by the City Council of the City on September 11, 2007 (the "Resolution"). The City covenants and agrees as follows:

**Section 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Notes and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**Section 2. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

*"Dissemination Agent"* shall mean the City, or any successor Dissemination Agent designated in writing by the City.

*"Listed Events"* shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

*"National Repository"* shall mean any Nationally Recognized Municipal Securities Information Repository under the Rule.

*"Participating Underwriter"* shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with the offering of the Notes.

*"Repository"* shall mean each State Repository, if any, and National Repository.

*"Rule"* shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

*"State Repository"* shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

### **Section 3. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 3, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

- (i) principal and interest payment delinquencies or delinquencies in any scheduled deposit into a Repayment Account;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) adverse tax opinions or events affecting the tax-exempt status of the Notes;
- (vi) modifications to rights of Noteholders;
- (vii) contingent or unscheduled Note calls;
- (viii) defeasances;
- (ix) release, substitution or sale of property securing repayment of the Notes;
- (x) rating changes;
- (xi) substitution of credit or liquidity providers, or their failure to perform;

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities law, the City shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in clauses (a)(viii) and (ix) need not be given under this paragraph any earlier than the notice, if any, of the underlying event is given to holders of affected Notes pursuant to the Resolution.

**Section 4. Termination of Reporting Obligation.** The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the City shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

**Section 5. Dissemination Agent.** The City may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under this Disclosure Certificate,



and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent, if other than the City, shall not be responsible in any manner for the content of any notice prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the City.

**Section 6. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived; provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Notes; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

**Section 7. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

**Section 8. Default.** In the event of a failure of the City to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in the County of Los Angeles or in a U.S. District Court in or nearest to the City of Long Beach. A default under this Disclosure Certificate shall not be deemed a default under the Resolution and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

**Section 9. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder,

including the costs and expenses, including attorneys' fees, of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

**Section 10. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Notes, and shall create no rights in any other person or entity.

**Section 11. Filing With Central Post Office.** Any filing under this Certificate may alternatively be made by transmitting such filing to the Texas Municipal Advisory Council as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the Texas Municipal Advisory Council dated September 7, 2004.

Dated as of October 1, 2007.

CITY OF LONG BEACH, CALIFORNIA

By \_\_\_\_\_  
Anthony W. Batts, City Manager



**Date:** September 11, 2007  
**To:** Honorable Mayor and City Council  
**From:** Councilmember Gary DeLong, Chair, Budget Oversight Committee  
**Subject:** **MAYOR'S BUDGET RECOMMENDATIONS REGARDING CIVIL SERVICE  
MODERNIZATION, OPTIMIZATION STUDIES, MULTIPLE ACADEMIES AND  
OTHER ITEMS FOR FY 2008**

---

The Budget Oversight Committee, at its meeting held September 6, 2007 considered communications relative to the above subject.

It is the recommendation of the Budget Oversight Committee to the City Council to approve the Mayor's Budget recommendation with an amendment to allow only one Police Academy.

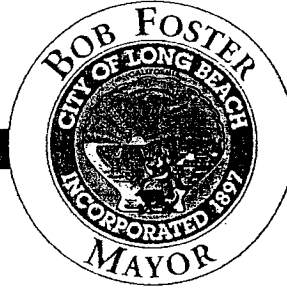
Respectfully submitted,

BUDGET OVERSIGHT COMMITTEE

---

Councilmember Gary DeLong, Chair

Prepared by:  
Gloria Harper



**Office of Mayor  
Bob Foster**

**Mayor's Budget  
Recommendations**

• • • • •

**Fiscal Year 2008**

*presented August 2, 2007*



## MAYOR BOB FOSTER

August 2, 2007

CITY OF LONG BEACH

Members of the City Council:

It is my pleasure to submit the FY 2008 Mayor's budget recommendations. City staff worked diligently to produce, in a very short period of time, a working draft of the Manager's budget under the new timelines for presentation to the Mayor set forth under Proposition A. In turn, I am transmitting my recommendations to the Council.

While the City's financial outlook has evolved from structural deficit, the challenge of delivering excellence with less has reached a near impossibility. Our City now lives paycheck-to-paycheck, unable to adequately maintain or invest in streets and sidewalks, civic facilities or our workforce.

We are either going to face this challenge in a different way in the very near-term or hobble through another decade of worsening street conditions, decaying public buildings, inadequate open space, and unacceptable public safety structures.

That is a fundamental question before us: Are we going to invest more to become a first-class city or continue in a slow, downward spiral where our assets decline to the point that they can't be repaired and replacement is beyond our ability to finance?

I believe the residents of Long Beach understand the magnitude of this choice. In the May special election, 70% of Long Beach voters saw fit to increase the oil production tax and in doing so, dedicate an estimated \$3.6 to \$4 million in new revenues for public safety needs annually. Their vote made a clear statement that they are willing to increase revenues to provide a better future.

The City Manager's budget message contemplates the need to challenge the status quo. With my budget recommendations I will ask the entire City – manager and non-manager departments, Council and employees – to re-examine the way each does business. Not for the sake of doing things differently, but to fulfill our collective obligation to the community; to make investments in the Long Beach of the future our top priority.

If we pull together as a team we can make the future we all desire – and just as I closed the 2007 State of the City address, I will continue to ask that we keep our eye on the ball.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Foster", with a stylized flourish at the end.

Mayor Bob Foster

## **PUBLIC SAFETY**

### **PROP H SPENDING**

In May, the voters of Long Beach overwhelmingly supported increasing the fee charged to companies that pump oil from under Long Beach. As a result, the City will see an additional \$3.6 - \$4 million annually dedicated to public safety.

I propose the following:

- a.) **\$1.8 million (on-going) for 14 additional police officers**
- b.) **\$1.67 (on-going) to re-establish one fire service ladder truck company (12 FTE equivalent at Station 4 or 14)**
- c.) **Use \$700,000 (one-time) of FY 07 Prop H revenue to purchase ladder truck and avoid lease payment burden in future years**

### **CONTINUE RUNNING MULTIPLE ACADEMIES**

In FY 07, for the first time, the City ran two academies with a net result of filling 51 long-standing vacancies and adding an additional 8 officers to the force.

**Recommend continued funding for two academies in FY 08.**

### **FURTHER INTEGRATION OF HOMELAND SECURITY/DISASTER MANAGEMENT EFFORTS**

While I fully support the City Manager's request to elevate Disaster Management Division to a Bureau, **I will ask for a City-wide administrative review of duties before supporting the appropriation of funds to ensure there is no duplication of efforts.**

While we approach our disaster response as an integrated entity, the City of Long Beach has not fully blended its City Manager and non-City Manager Departments on the duties and continuing responsibilities being shifted to local governments related to Homeland Security and requisite funding efforts.

Building on the model that has engendered outstanding emergency response, I am requesting that the Fire, Police, and other city manager departments, in conjunction with Harbor and Water Commissions, develop an integrated model that best maximizes the very limited funding options. In particular, recent changes to federal spending rules for Urban Area Security Initiative (UASI) grants now permit up to 25% of the annual grant to be used to cover personnel costs.

Further, I will ask for the assistance of the Council, Harbor and Water Departments to join me in seeking relief from Sacramento and return a portion of the nearly \$14 million dollars deducted from the Los Angeles Long Beach 2007 UASI grant to the City.

### **HOMELAND SECURITY/VITAL ASSET PROTECTION**

Since Federal responsibilities continue to be shifted to local governments, I am recommending review of the ability to utilize Port funds to add an additional five specialized officers to the Police Department.

Recognizing that the continuing burdens homeland defense place on municipal public safety agencies, I am also recommending the Airport Fund encumber an additional three sworn positions maximizing savings from 10 vacant FTEs for security officers. As recently as last week, a bomb scare at the airport placed a tremendous strain on LBPd resources that are needed in our neighborhoods.

### **ADDRESS LONG TERM CRITICAL INFRASTRUCTURE NEEDS**

The prognosis for "catching up" on repairs to our local streets and roads is very grim. The costs for other critical infrastructure needs are simply too profound for the city's general fund to address:

<b>Neighborhood Street, Sidewalks and Alleys</b>	<b>\$140 million</b>
<b>Storm Drains</b>	<b>\$40 million</b>
<b>Public Safety Infrastructure</b>	<b>\$225 million</b>
<b>Civic Facilities (parks, neighborhood libraries)</b>	<b>\$190 million</b>
<b>Civic Center/Main Library Retrofit</b>	<b>\$170 million</b>

**TOTAL CITYWIDE INFRASTRUCTURE NEED: \$765 million over 10 years.**

Our infrastructure needs are at the tipping point. If we fail to fully address them in a timely manner we may reach a point where they cannot be repaired or replaced without drastic increases in revenue or financing beyond the City's ability.

I will ask the City Manager to provide updated and detailed projections along with comprehensive funding recommendations for Council consideration no later than December of 2007. This review should include opportunities for public-private partnerships, sale of City assets and options for revenue enhancements.

### **NEIGHBORHOOD STREETS AND SIDEWALKS**

1.) Support Manager's proposal to maintain General Fund commitment for sidewalks at \$2.4 million along with \$600,000 of Community Development Block Grant funds in FY 08.

2.) Recommend maintaining FY 07 Mayor's Recommendation and Council approved commitment of an additional \$2 million in Management outlined one-times to local streets and roads.

**3.) Recommend augmentation utilizing up to \$8 million in one-time revenues.**

In FY 07 the City budgeted an unprecedented \$22 million in local streets, roads and sidewalk repair programs from combined sources. I recommend we again make a sizeable commitment in FY 08 as one-time resources become available.

In addition to the estimated \$7.5 million in one-times listed in the City Manager's budget, Long Beach is anticipating two significant one-time payments to the General Fund that provide opportunities for investment:

- i.) Semptra settlement \$6 million
- ii.) Public Service Yard Sale \$8 million (net of relocation costs TBD)

**4.) Recommend creation of Neighborhood Infrastructure Special Fund** to accept and efficiently dispense the local streets, roads, alley and sidewalk funds. This will bring more transparency to the budgeting process and allow the Council to establish specific policies for dispensing the funds, similar to the other 15 special funds now in place.

**GENERAL FUND ADJUSTMENTS**

The General Fund continues to strain to support the dynamic needs of the City. Absent any significant additions to revenue for the next decade, we will continually need to deliver excellent services with less.

**Recommend savings created through maximizing existing general fund sources remain available as a means to invest in the City's public safety and other workforce requirements.**

**MODERNIZE CIVIL SERVICE FUNCTIONS**

The City of Long Beach must focus on eliminating unnecessary and duplicative functions between Civil Service (non-city manager department) and Human Resources (city manager department). As part of the May election, nearly 2/3 of the voters approved Proposition F to streamline a cumbersome piece of the civil service process by directing prosecutorial duties over to the City Attorney on civil cases.

The Charter-mandate of the Civil Service Commission would remain unchanged.

**Estimated savings of approximately \$650,000 (net after transition costs) in first year**

**SEEK FULL COMPENSATION FOR SERVICE DELIVERY**

Consistent with the financial policies of the City Council, I recommend discussion regarding full reimbursement to the general fund for services provided, including:

**Estimated Long Beach Transit (indirect costs) \$260,000**

**Estimated Long Beach City College (indirect costs) \$825,000**



**PRESENT OPTIMIZATION STUDIES TO THE COUNCIL**

Request that Management brings forward for Council review all of the optimization studies that have been conducted previously and as a matter of policy on any additional reports going forward:

**311 Customer Request Management**  
**Alternative Energy Solutions for City Facilities**  
**Ambulance Billing**  
**Arts Funding**  
**Code Enforcement**  
**Communications Plan Optimization**  
**Custodial Services**  
**Citywide Fee Services**  
**Emergency Communications (Dispatch)**  
**Employee Health Insurance Benefits**  
**Fire Services**  
**Fleet Parts Room**  
**Fleet Services**  
**Health and Human Services Financing**  
**Information Technology**  
**Marina Operations**  
**Messenger/Mail Room**  
**Parking Management**  
**Recruitment, Hiring and Retention**  
**Reprographics**  
**Towing**

**POLICE DEPARTMENT AUDIT IMPLEMENTATION REPORT**

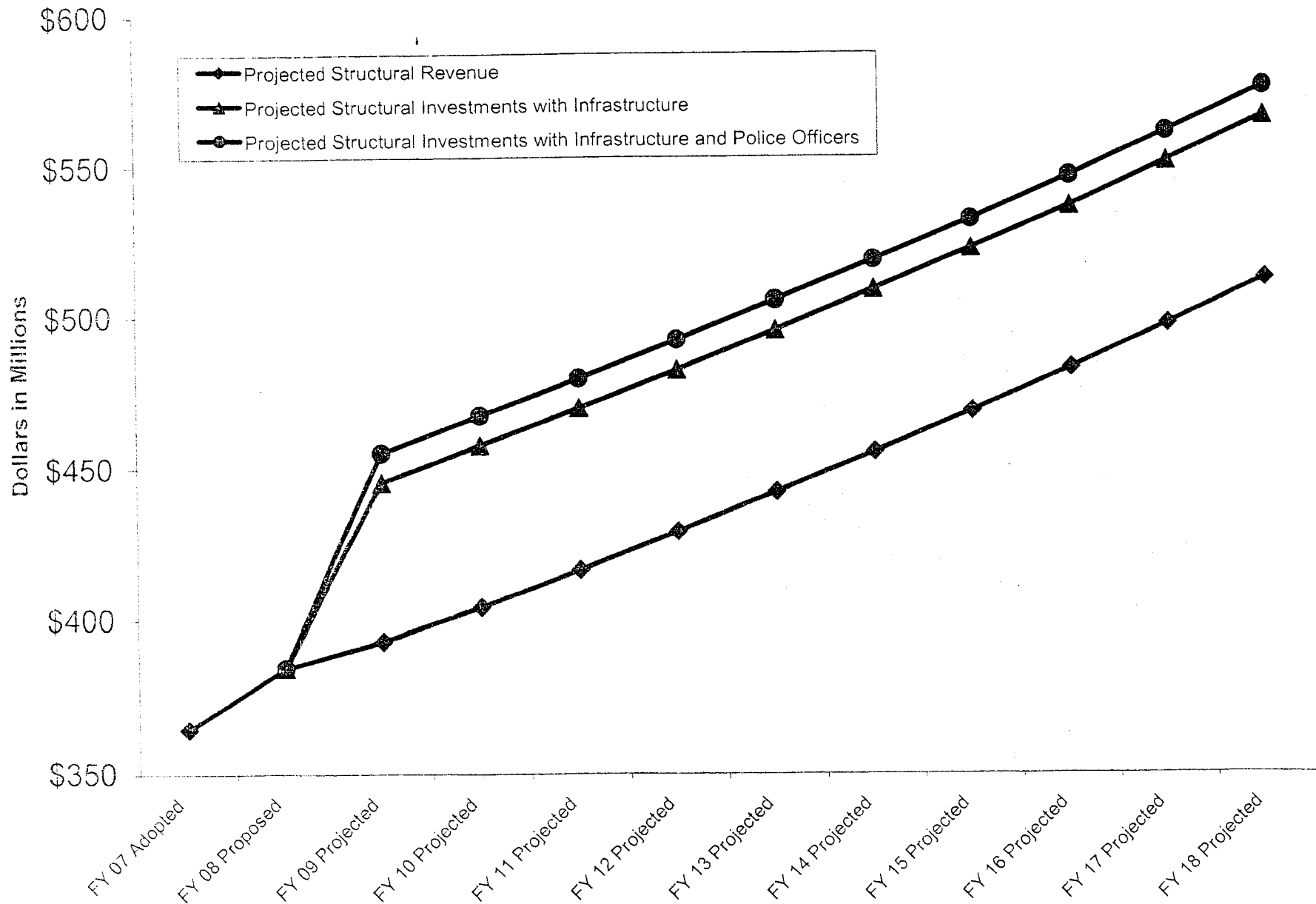
In recent weeks, the Council has requested a report on implementation feasibility covering recommendations proposed by the City Auditor.

It is important to note that the Auditor's report suggested several ways to shift uniformed officers from administrative jobs back out to patrol. If all of these efforts were to be successful, the net gain would be 21 additional officers on patrol. It is not immediately clear, however, that all of the suggestions are achievable.

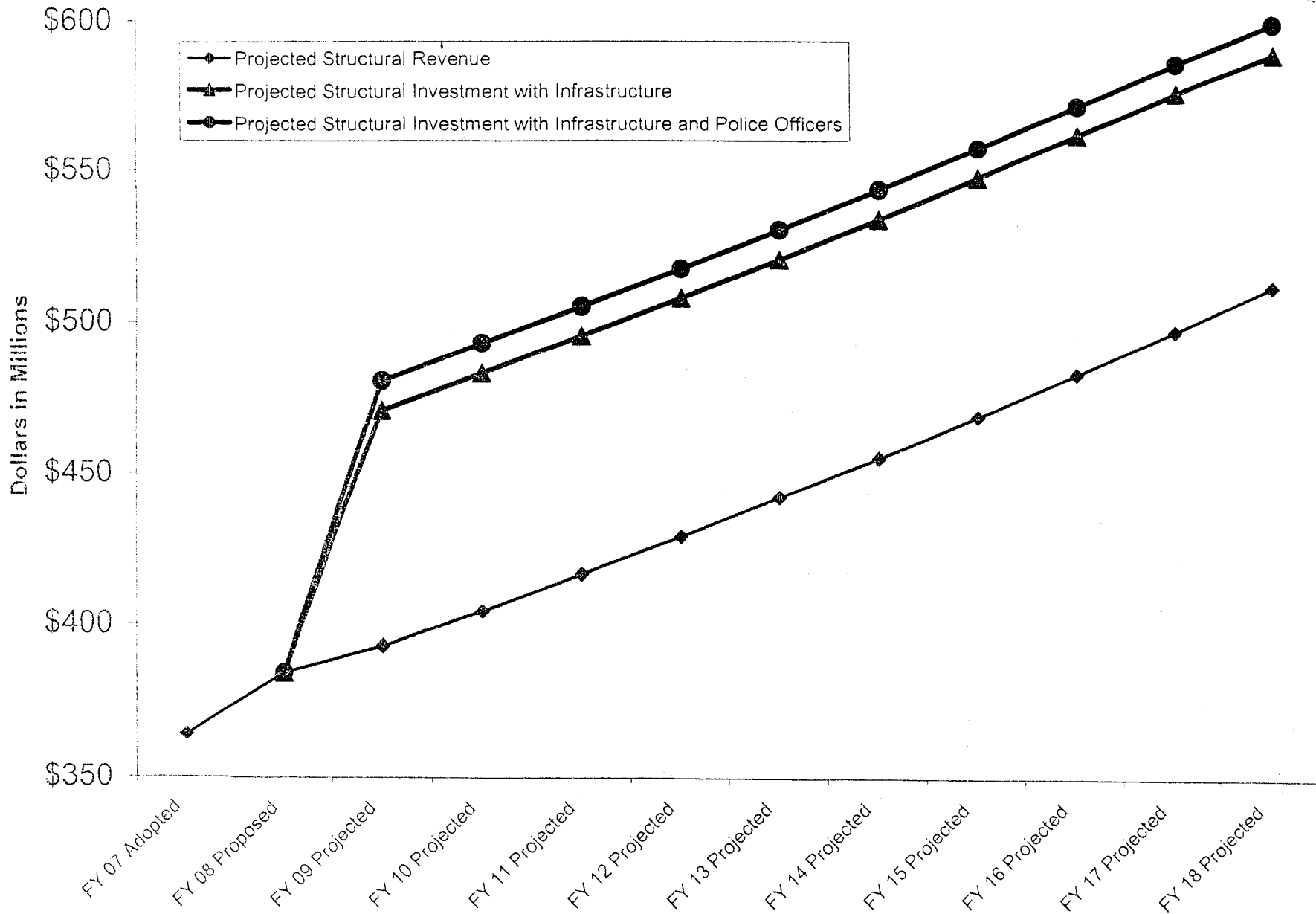
**STREAMLINE EMERGENCY CALL CENTER FUNCTIONS IN ANTICIPATION OF CELLULAR 911**

In the coming year, Long Beach's emergency call center will begin taking on the additional workload of cellular 911 calls for service. In anticipation of this migration, I recommend combining the functions of operators so both Police and Fire Departments use the same dispatchers. Given that cellular 911 is expected to increase call volumes by approximately 30%, this measure will improve service delivery and better respond to our community's emergency service needs while it is estimated to remain cost neutral.

City of Long Beach  
Finance Infrastructure Over 30 Years  
\$765 million @ \$51 million Per Year



City of Long Beach  
Pay as You Go Infrastructure Over 10 Years  
\$765 million @ \$76.5 million Per Year



# OPTIMIZATION INITIATIVES

PROJECT	OBJECTIVE	STATUS	NEXT STEPS	TARGET	STUDY COMPLETE?
311 Customer Request Management	Improve interaction with, and service delivery to, the community through the development and implementation of a 311 Customer Request Management system. The system will enhance the responsiveness and accountability of City operations.	Council approved a one-time contract with EMA, Inc. to provide consulting services to develop an implementation plan for a 311 Customer Relationship management system for a period of one year, for an amount not to exceed \$442,750. The consultant and City staff have been organized into teams and have been working since a May kick-off meeting to evaluate telephony, work management, and constituent relationship management systems; to evaluate system integration issues; and to review facility options.	The consultant will be completing a detailed implementation plan by the middle of October 2007 that will outline the necessary actions, vendors and costs associated with implementation. This plan could be presented to Council in November 2007.	10/15/2007	No
Alternative Energy Solutions for City Facilities	See "Energy Conservation and Efficiency"	N/A	N/A		N/A
Ambulance Billing	To identify opportunities to maximize recovery of City costs associated with ambulance billing.	City Council authorized the purchase of a new Ambulance Billing system, which has been purchased.	The contract is being finalized and implementation of the new billing system is expected in October or November of 2007.		Yes
Arts Funding	To identify a long-term funding strategy for the arts and culture in Long Beach.	Community Arts Funding Strategy funding recommendations presented to City Council in May 2004. Recommendations included tax initiatives for TOT and entertainment tax. Also recommended maintained funding for arts tax measure gets on ballot. Ad-Hoc Council Arts Committee convened and recommended holding off on tax measure until 2006 and recommended maintain current level of funding. Another recommendation was to maintain existing level of support for arts funding. Since that time, the City has actually augmented support to the Arts Council by \$50,000 (for a total of \$650,000). All financial support for the arts and culture is funded via the SAP.	Ongoing discussions regarding arts support. The digital billboard revenue stream is being considered currently. This could generate \$1.5-\$1.8 million annually for the arts (including the LBMA's debt service).		Yes
Billing & Collection	To improve the efficiency and effectiveness of the City's numerous billings and collections activities.	City Manager's Office decided to cancel Optimization. Research showed that there is no existing integrated business system to incorporate City's centralized billing & collection.	None - Optimization cancelled.		N/A

# OPTIMIZATION INITIATIVES

PROJECT	OBJECTIVE	STATUS	NEXT STEPS	TARGET	STUDY COMPLETE?
Business Recovery Plan Development /COOP	TBD	Has been identified as an Optimization Study for FY08	TBD		No
Capitol Improvement Projects	TBD	Has been identified as an Optimization Study for FY08	TBD		No
CDBG Funding	Not yet initiated.	Not yet initiated.	Half-day EMT to "kick-off" discussion scheduled for Friday, February 25, 2005.		No
Code Enforcement	Consultant study on Code Enforcement and Neighborhood Nuisance Abatement activities concluded in 2004. This study constituted a reorganization of the City's Code Enforcement functions under the Community Development department, Neighborhood Services Bureau.	Steering Committee convened and is working through implementation of study's recommendations. Deployment of staff into 4 city quadrants and adoption of Code Enforcement Ordinance completed.	Continue working through implementation of recommendations.		Yes
Communications Plan	To review the nature of the City's current communication efforts and its impact, and make recommendations for a Strategic Communications Plan	The City engaged SAE Communications in 2006 to conduct a Strategic Communications Review of those elements under the City Manager's purview. The consultant presented a plan in March 2007 which outlined recommendations including: organization, planning & message delivery, media relations, internal communications, printed materials, community relations, outreach to diverse audiences, and crisis communication.			Yes
Contracting-In Committee	Not yet initiated.	Contracting-in spreadsheet updated with actual 2004 contracting-in dollars and 2005 YTD dollars. Survey of surrounding Cities done that identified services that other cities contract out for. Possible opportunities for contracting in those services were identified but are dependent on the City's capacity.	Not yet initiated.		No

# OPTIMIZATION INITIATIVES

PROJECT	OBJECTIVE	STATUS	NEXT STEPS	TARGET	STUDY COMPLETE?
Crossing Guards	To discuss ideas for recommendations that would improve efficiencies, effectiveness, reduce costs, and improve service delivery.	An Employee Workgroup comprised of existing School Crossing Guards was convened and they produced a recommendations report on 2/17/05. PD management provided a response and final report submitted to City Manager on March 4, 2005.	A City Manager response to the Crossing Guard Optimization Team's final report is due.	9/15/2005	No
Custodial Services	To identify opportunities for improving the efficiency and effectiveness of the City's custodial activities.	The final report of the Custodial Services Optimization Study was provided to the City on May 4, 2007. Staff is currently evaluating the options for implementing the Study's recommendations.	Staff will return to the City Council in the coming months with recommendations for moving forward on possible implementation strategies.		Yes
Employee Health Insurance	To provide an outside, objective, comprehensive review of the City's employee healthcare program. The goal of the optimization effort is to evaluate the City's program, identify best practices and any other opportunities to reduce program costs without compromising the integrity of benefits to City employees and retirees.	Alliant Insurance Services was selected thru an RFP process to assist the City with this review. A two-phased approach was employed for this study. Phase I included an assessment of the City's current healthcare program, including the adequacy and competitiveness of existing levels of service, network provider coverage and rates, risk coverage, and the structure and administration of benefits. Phase II consisted of the actual marketing, evaluation, and negotiation for all lines of benefits coverage (including PPO and HMO health plans, vision, dental, prescription, and life, disability, and stop loss insurance coverage). Alliant Insurance Services, with direction and input provided by the City, released an RFP for the provision of those services in March 2006. A joint Labor/Management team was seated to evaluate the proposals from healthcare providers and provide a recommendation to the City Manager. A split recommendation (Great West and United Healthcare) was presented to the City Manager in May 2007. Savings, still to be determined (both actual and cost avoidance) will result from all lines of coverage (PPO, HMO, Vision, Life, LTD and STD).	Enter negotiations with the selected healthcare provider and begin preparations for the next plan year.		

# OPTIMIZATION INITIATIVES

PROJECT	OBJECTIVE	STATUS	NEXT STEPS	TARGET	STUDY COMPLETE?
Energy Conservation and Efficiency (formerly Alternative Energy Solutions for City Facilities)	Assess the City's ability to reduce energy costs by employing new/innovative alternative energy solutions.	The Optimization report has been finalized. The report recommended that the City engage in the proposed SCE Energy Efficiency (EE) Program Partnership and concurrently implement the Citywide Energy Conservation Campaign. The findings were presented to Jerry Miller and Chris Shippey on 5/3/2007.	In Implementation Phase. We have partnered with SCE to assist us to focus on reducing the electric energy consumption for City facilities through conservation efforts and improving the energy efficiency of equipment, and also educating City employees on energy conservation both at work and at home.	6/1/2007	Yes
Fee Study	Comprehensive review of all City fees with the objective of developing a more reliable and consistent cost allocation methodology, to adjust current fees to improve cost recovery, and developing policies and procedures for establishing and maintaining fees in the future.				No
Fire Services	To conduct an analysis of Fire Services, including the examination of prior incident response patterns and trends; financial, economic, and personnel considerations; review of safety programs; and, non-emergency services.	Study completed in FY 05. City Council received a presentation of the report on February 8, 2005.	In Implementation Phase. City staff continues to implement recommendations. One such recommendation was to bring BLS program back in-house. This was done in FY 06 and has improved service to the Long Beach community and has provided a "feeder" pool of candidates for firefighter academies.	2/8/2005	Yes
Fleet Parts Room	Not yet initiated.	Not yet initiated.	Not yet initiated.		No
Fleet Services	Comprehensive review of the City's fleet operations to identify opportunities for downsizing, elimination of vehicles, and other operational improvements. Study completed in April 2004.	Fleet Study Committee working to implement selected study recommendations.	Fleet Study Committee to continue work on implementation.		No

# OPTIMIZATION INITIATIVES

PROJECT	OBJECTIVE	STATUS	NEXT STEPS	TARGET	STUDY COMPLETE?
Health and Human Services Financing	Research advantages/disadvantages of maintaining an independent local health jurisdiction, analyze the City's current funding structure for Health and Human Services, identify mechanisms utilized by other entities, and develop a long-term funding sustainability plan for the provision of health services by DHHS.	The internally developed survey of other independent City Health Departments has been completed, and the results have been discussed by the Study Workgroup. Some of the results are being incorporated into the study report. A very early draft of the study report is currently being circulated among certain staff to obtain feedback on content. The current version of the report does not yet include a solid set of recommendations to address DHHS' routine cash flow problems and structural budget deficit. Preliminary recommendations should be finalized in the next few weeks.	Content from the draft report has proved helpful during the FY 08 budget development process. While it is expected that some issues related to the Health Optimization Study will be resolved during the City Manager Budget Hearing with the Health Department on May 9, 2007, unresolved issues will likely persist. The revised report will include an update of those challenges that have already been addressed and those that still need to be resolved. It is expected that a revised report will be forwarded to Chris Shippey for her review during the next 2-3 weeks.	7/1/2007	No
Information & Technology	To determine whether opportunities exist to reduce cost and improve effectiveness in the management and delivery of information technology services for the City. City seeks an outside expert to evaluate and make best practices recommendations in a number of areas including: Organization and Management, Service Delivery Approaches, IT Governance, and the management of the Integrated Information System.	The Optimzation Study was completed in 2006 and many of the recommendations have been, or are in the process of being implemented.			Yes
Library Funding					No
Marina Operations	To conduct an operational review of the municipal marina and commercial Rainbow Harbor operations, including rules and regs, fees, etc.	The Steering Team has met bi-monthly since January to develop an RFP, which was distributed to a database of consultants determined to have the background and expertise best suited for this type of study. The selection committee met Sept 5, 2007, and interviewed three consultant firms.	Staff is following up on references and will report back to the committee for a final selection of a consultant. The contract will be awarded by October 1st. The consultant will receive oversight throughout the study from the Steering Team. The Team has invited Marine Advisory Commission Chair Bradley Whyte to serve as a member of the steering team, assisting in the oversight of the consultant, providing key community representation.	5/1/2008	No



# OPTIMIZATION INITIATIVES

PROJECT	OBJECTIVE	STATUS	NEXT STEPS	TARGET	STUDY COMPLETE?
Messenger/Mail Room	Building on work of independent, outside review by Nonprofit Management Solutions, City staff will work to identify opportunities to improve the efficiency, effectiveness and quality of service of the City's mail/messenger activities.	Some improvements have been put in place such as the purchase of newer equipment for the mailroom. Technology Services staff put this on hold for approx 1 year, and have recently re-started the study. They are updating the budget and evaluating alternative service delivery methods.	TSD will be working with the customers of the mail/messenger service to develop citywide recommendations, as well as to review messenger/mail room operations.	11/1/2007	No
Outside Youth Services	Outside study to review the breath and effectiveness of the City's investment in Youth Services, including gang prevention, and determine future strategic and organizational approaches to deliver the most effective services to Long Beach youth.	Study Development Team (CM, CD, Auditor, FM, HR, PD, PRM, LS, FD, HE) has met to discuss the following: finalize the Request for Proposal (RFP) for an outside consultant to guide the study through its work plan; gather relevant financial and performance data for the programs and services to be included in the study, and; begin outreach to key stakeholders to ensure an open and effective process.	Develop and release RFP for outside consultant by March or April 2005.	2/1/2006	No
Parking Management	TBD	<b>Has been identified as an Optimization Study for FY08</b>	TBD		No
Payroll Services	Not yet initiated.	Not yet initiated.	Not yet initiated.		No
Recruitment, Hiring, and Retention	Comprehensive review of the City's recruitment, hiring, and retention procedures.	ReHiRe Steering Committee received nine professional consultant proposals as a response to the RFP. We selected four firms to initial interviews. Of these four, the Committee selected two to return for a final interview, and selected Management Partners to conduct the professional service. Suzanne and I made reference calls to the City of San Jose and the City of Sunnyvale with positive results. A conference call with Management Partners was held to discuss the scope of work. Management Partners has sent a revised timeline, budget, and work plan including optional enhancements to the original scope of work for the project. ReHiRe staff has drafted the Council Letter for the consulting services, is currently drafting the agreement and scheduling the kick-off meeting.	Staff awaits having the item heard at the May 15 City Council meeting. If recommendation is approved, staff will finalize the agreement with Management Partners, compile a list of City staff that we wish to include in interviews, and assemble requested documents.	11/1/2007	No

# OPTIMIZATION INITIATIVES

PROJECT	OBJECTIVE	STATUS	NEXT STEPS	TARGET	STUDY COMPLETE?
Reprographics	Building on work of independent, outside review by Nonprofit Management Solutions, City staff will work to identify opportunities to improve the efficiency, effectiveness and quality of service of the City's reprographics activities.	Two workgroups comprised of Operators and Customers were convened to analyze and validate consultant recommendations and to develop their own recommendations. Staff performed analytical work and developed an Alternative Service Delivery Review, a report on proposed Reprographics Organization Models and a recommendations report.  Now in the Implementation Phase. A contract went to Council in July 2007 to contract with Konica/Minolta and Xerox for the installation of multi-functional devices.	Multi-functional devices will be implemented in phases.	9/15/2005	Yes
Retiree Healthcare/GASB45	TBD	Has been identified as an Optimization Study for FY08	TBD		No
School District Partnering	To explore opportunities to become more efficient and cost-effective through partnering with LBUSD.				No
Senior Services	Update on the progress of implementing the City's Strategic Plan for older adults.	We conducted our first Optimization Forum on April 26th, from 8 a.m. - 1 p.m. focusing on Senior Safety, at the Long Beach Senior Center, at 1150 E. 4th Street.	We will be holding five of these half-day forums, each focusing on one of the five goals as stated in the LBSPOA: safety, housing, transportation, health and quality of life. An 'implementation committee' will be convened to take the information recorded at the Forums, creating a report that will show where the City is currently in the implementation of the LBSPOA, with recommendations as to how to move forward.	1/1/2008	No
Succession Planning/Development	TBD	Has been identified as an Optimization Study for FY08	TBD		No

# OPTIMIZATION INITIATIVES

PROJECT	OBJECTIVE	STATUS	NEXT STEPS	TARGET	STUDY COMPLETE?
Towing	Evaluate the City's towing and Lien Sales operations to identify intra- and interdepartmental efficiencies to decrease costs and/or enhance revenue collection, and improve delivery of service.	Four (4) employee workgroups were convened and have been meeting with a facilitator through January and February to develop ideas for operational improvements. Five (5) weekly, facilitated, topic-specific, workgroup meetings have been completed resulting in over 130 ideas to improve cost containment, revenue generation, and delivery of service.	February 16 workgroup meetings likely to be the last with final report and department review of recommendations in early March 2005.		No
Water & Air Quality	TBD	Has been identified as an Optimization Study for FY08	TBD		No
Workers Compensation	Outside study by Deloitte Consulting to conduct a comprehensive assessment of City's workers' compensation, occupational health, and risk management processes. Also to identify opportunities to reduce program costs and improve effectiveness.	Study completed in 2004. All recommendations implemented with anticipated Citywide savings of \$4.9 million (\$3.2 million in the General Fund) through FY 06, and a reduction in direct costs of \$2.0 million annually (\$1.3 million in the General Fund). Workers' Compensation Business Process Improvement Final Status Update submitted by CM and City Attorney to the Economic Development and Finance Committee on December 13, 2005. Improvements have been made in the areas of lag time (3 point contact), number of claims, dollars spent on claims, technology, case management, employee safety, governance, and communication to departments and with injured employees. A review of the implementation status and results has been completed by Deloitte.	Continue efforts to implement best practices, conduct an annual assessment, and fully develop a carve-out program (allowing employers to carve out areas of their workers' compensation program involving medical disputes).		Yes



**Date:** September 11, 2007  
**To:** Honorable Mayor and City Council  
**From:** Councilmember Gary DeLong, Chair, Budget Oversight Committee  
**Subject:** **CITY COUNCIL'S STATED PRIORITIES FOR FY 2008**

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The Budget Oversight Committee, at its meeting held September 6, 2007, considered communications relative to the above subject.

It is the recommendation of the Budget Oversight Committee to the City Council that the updated list of Priorities be received and approved.

Respectfully submitted,

BUDGET OVERSIGHT COMMITTEE

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Councilmember Gary DeLong, Chair

Prepared by:  
Gloria Harper

## **City Council's Stated Priorities**

It is the mission of the City Council to continually improve the quality of life in our neighborhoods by ensuring public safety, supporting programs that encourage the public's health and well being; promoting quality housing developments, thereby improving home ownership opportunities for Long Beach residents; and ensuring that the city grows "Green" by creating appropriate environmental policies.

Essential to our success as a city is to ensure that City policy creation is done in a transparent manner with extensive community involvement.

City Council's Stated Priorities:

- Adopt an annual budget that is structurally balanced
- Improve the City's infrastructure, including streets, sidewalks, curbs, alleys and city facilities
- Enhance neighborhood economic development efforts, particularly on the commercial corridors
- Promote workforce and business development efforts to create new jobs; ensure Long Beach becomes more business friendly
- Improve the transportation system to efficiently and effectively move goods and people through the city without negatively impacting the neighborhoods



**Date:** September 11, 2007  
**To:** Honorable Mayor and City Council  
**From:** Councilmember Gary DeLong, Chair, Budget Oversight Committee  
**Subject:** **CITY COUNCIL'S PROPOSED AMENDMENT AND ADDITION TO THE  
FINANCIAL POLICIES FOR FY 2008**

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The Budget Oversight Committee, at its meeting held September 6, 2007, considered communications relative to the above subject.

It is the recommendation of the Budget Oversight Committee to the City Council that Financial Policy #3 be amended and Financial Policy #11 be added.

Respectfully submitted,

BUDGET OVERSIGHT COMMITTEE

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Councilmember Gary DeLong, Chair

Prepared by:  
Gloria Harper

**Proposed Amendment to Financial Policy III  
Operating Reserve Growth  
Proposed Wording**

Proposed additions to Financial Policy III are highlighted. Proposed additions are to sections **A. Policy** and **C. Definitions and Details, part 2b**.

**III. General Fund Reserves**

**A. Policy**

The City shall maintain an Emergency Reserve equivalent to 10 percent of General Fund recurring expenditures and an Operating Reserve equivalent to 10 percent of General Fund recurring expenditures. Once the General Fund budget is brought into structural balance, a minimum of 5 percent of all new (ongoing) discretionary revenue will be devoted to the operating fund reserve. If these reserves are used, a plan will be developed and implemented to replenish the funds used.

**B. Purpose**

Once the General Fund Budget is brought into structural balance, reserves are monies that are set-aside in separate accounts to deal with emergencies and extraordinary events.

**C. Definitions and Details**

1. The Emergency Reserve is for unexpected, large-scale events where substantial damage is incurred and immediate, remedial action must be taken to protect the health and safety of residents, (e.g., major floods, mudslides, fires and earthquakes).
  - a. The Emergency Reserve is computed each year by taking ten percent of the Proposed General Fund recurring operating expenditures. Once this figure is determined, it will establish the level of the Emergency Reserve for the coming fiscal year.
  - b. Any funds used from the Emergency Reserve shall be replenished by the end of the fiscal year. If this is not possible, replenishment of the Emergency Reserve will take priority over any other new non-cost offset expenditure for the next and subsequent fiscal years.

- c. Any usage of Emergency Reserves must be appropriated by the City Council.
  - d. However, the City Manager may utilize these funds when immediate action must be taken to protect the health and safety of residents. When this occurs, the City Manager shall provide a summary report as soon as practical, and a detailed report to the City Council on the usage of funds within 60 days after the emergency is declared over.
2. The Operating Reserve has been established to provide funding to deal with unexpected events and fluctuations in fiscal cycles, which provides time to avoid structural impacts and ensure continuance of critical City activities.
- a. The Operating Reserve is not a contingency fund. It is a reserve for events such as:
    - i. Unexpected unfunded mandates or State take-aways.
    - ii. Continuing a program until the end of the fiscal year when grant funding is unexpectedly eliminated during the fiscal year.
    - iii. Extraordinary public safety requirements that were unanticipated and immediate.
    - iv. Continuing critical city services due to unanticipated events.
    - v. To offset the loss of a funding source or spike in expense for the remainder of the year.
  - b. The Operating Reserve is computed each year by taking ten percent of the Proposed General Fund recurring operating expenditures. Once this figure is determined, it will establish the level of the Operating Reserve for the fiscal year.
    - i. In an effort to gradually build up the Operating Reserve to desired levels, 5 percent of new discretionary revenue will be dedicated each year to the reserve, unless a structural imbalance would otherwise exist.
    - ii. This allocation will continue until the Operating Reserve equals 10 percent of General Fund expenses.
    - iii. Once the Operating Reserve funding target has been met, compulsory allocations will only be required in an amount needed to maintain the 10 percent funding level.
  - c. Any usage of the Operating Reserve must have prior approval of the City Manager and include a repayment plan. All usages will be reported in the regular financial report.



**City of Long Beach  
Proposed Financial Policy XI**

**XI. City Council Budget Requests During the Fiscal Year**

**A. Policy**

Members of City Council requesting new programs, services or staff requests during the fiscal year that are unbudgeted must propose a spending offset at the time of the request (if costs are known) or before final approval, so that the request has a net zero effect on the budget. Individual and or collective requests from Members of the City Council made during a City Council meeting or separately must be approved by a majority of the City Council if there is a potential fiscal or service impact.

**B. Purpose**

The purpose is to ensure the City makes informed fiscal decisions that take into account the full costs, in terms of dollars and service impacts, of implementing spending increases during the fiscal year. To maintain a structurally balanced budget, any spending increases must be accompanied by compensatory revenue increases or spending decreases that clearly identify the associated opportunity costs.

**C. Definitions and Details**

1. Spending requests during the fiscal year are requests for increased or new spending that were not appropriated in the Adopted Budget.
2. Spending offsets are current spending items that may be reduced to free up resources for new or increased spending in other areas.
3. Compensatory revenue increases must be ongoing if expenditure requirements are ongoing; one-time revenue may only be used to support one-time costs.